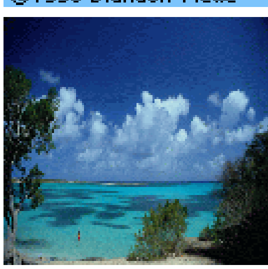
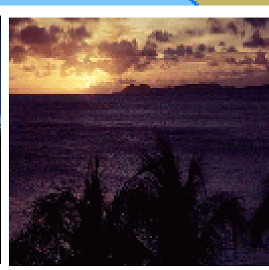
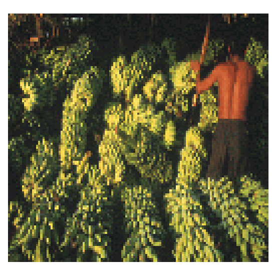
Third Report to the Congress on the Operation of the Caribbean Basin Economic Recovery Act
October 1, 1999




Prepared by

The Office of the United States Trade Representative

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Executive Summary

- Since the Caribbean Basin Economic Recovery Act (CBERA, also known as the Caribbean Basin Initiative, or CBI) was enacted in 1984, it has had a very positive impact on both U.S. and CBI country exports. U.S. exports to the region have more than tripled to $19.2 billion. A 1984 trade deficit with the region became a trade surplus of over $2 billion by 1998. Taken together, the countries of the region are the seventh largest market for U.S. exports, greater than France or the Netherlands. The region absorbs 3% of total U.S. exports.

- Meanwhile, exports from CBI countries to the United States grew from $8.9 billion in 1984 to $17.1 billion in 1998. Imports entering the United States duty-free under the CBERA program have grown even more rapidly, increasing more than five-fold from $576 million in 1984 to $3.2 billion in 1998.

- When combined with economic reform and liberalization by the beneficiary countries themselves, the CBERA program has been successful in achieving one of its major goals: contributing to export diversification in beneficiary countries. While traditional exports such as petroleum products, sugar, coffee, cocoa and bananas remain important sources of foreign exchange and employment in the region, other products, such as electrical and electronic machinery and parts, and optical, photographic and surgical equipment have emerged as viable exports from some CBERA countries.

- Even within traditional sectors such as agricultural products, CBERA beneficiaries have succeeded in diversifying into new non-traditional products, such as strawberries and cut flowers. Such products account for an increasing share of total entries under the CBERA programs.

- While CBERA beneficiaries have succeeded in diversifying their economies, a large share of their exports to the United States are still not covered by CBERA benefits . In 1998, only 18.8% of total exports to the United States from CBI countries were goods qualified to enter under preferential CBERA provisions, up from 6.5% in 1984 when the program began, but still a modest percentage of the total.

- In addition, although exports to the United States under the CBERA program have registered impressive gains, the market share of CBERA countries fell from 2.7% of total U.S. imports in 1984 to 1.9% of total U.S. imports in 1998. Thus, the CBERA countries have not participated as fully as other countries in meeting the growing U.S. demand for imports during our extended period of economic growth.

- A number of factors have contributed to this decline in market share. Deteriorating terms of trade for many agricultural products and a slump in world oil prices have negatively affected traditional exports from the region. The Asian economic crisis and the resulting devaluations increased the competitiveness of exports from that region, at the expense of CBERA beneficiaries. In addition, trade liberalization implemented as a result of NAFTA and the WTO Uruguay Round has reduced the margins of preferences previously enjoyed by CBERA beneficiaries. Finally, the growth in U.S. demand has been more heavily weighted toward higher-technology (and more capital-intensive) products than are produced in CBERA countries.

- The region was also struck by natural disasters of unprecedented magnitude (Hurricane Mitch in Central America and Georges in the Eastern Caribbean) in 1998. Damage estimates for the region vary, with $7-10 billion commonly cited. Export sectors were hit hard: CBERA entries from El Salvador in 1998 fell 39% year-on-year, with entries from Nicaragua falling 46% for the same period.

- The U.S. Government has responded generously, providing significant funds for both short-term disaster relief and medium-term reconstruction. USAID funds for such programs total $38.8 million in the Caribbean and over $432.2 million for Central America.

- The devastation caused by the hurricanes has also raised the profile of another key element of the U.S. strategy to assist the region – enhancement of CBERA benefits to include certain categories of apparel and other products previously excluded from the program by statute. In 1998, apparel, which is not eligible for CBERA benefits, accounted for 48% of exports to the United States from CBERA countries. The vast bulk of apparel exports from the region to the United States contain substantial U.S. content in the form of U.S. fabric and yarn.

- Several legislative proposals to enhance CBI benefits are currently being considered by Congress. The Administration has expressed its commitment to work with Congress to obtain passage of CBI enhancement as soon as possible. It has assumed increased importance as a means to help the countries of the region rebuild their economies following the destruction of Hurricanes Mitch and Georges last year.

- Enhancement of CBERA benefits will also serve as a step toward reciprocal hemispheric trade liberalization as envisioned in the Free Trade Area of the Americas (FTAA).

- Existing criteria for CBI benefits, as well as additional criteria that may be included in CBI enhancement legislation, help to promote the kind of policies that will facilitate beneficiary countries' full participation in the FTAA.

- Already, for example, CBERA, together with the GSP (General System of Preferences) program, has contributed to improving worker rights in the region. For example, the Guatemalan Government has developed administrative remedies, such as the suspension of export licenses and the withdrawal of various tax benefits and operating permits, to deal with labor law violations. Also, procedures for the registration of labor unions have been simplified.

- Labor interests in various Caribbean Basin countries have supported both the existing CBI program and its proposed enhancement as a means to promote continued improvement in worker rights in the region.

- Similarly, CBI, together with GSP, has proven a strong incentive for countries to improve protection of intellectual property rights (IPR). A number of countries in the region have enacted new legislation providing strengthened IPR protection. Others have signed bilateral agreements with the United States providing better IPR protection. The temporary suspension of some of Honduras' GSP and CBI benefits in 1998 sent a strong signal to the region of the importance the United States attaches to beneficiaries not just enacting , but also enforcing adequate protection for IPR.

- In addition, many U.S. apparel manufacturers are heavily involved in production-sharing activities in CBERA beneficiary countries. CBI enhancement will strengthen these partnerships and assist them in maintaining their competitiveness with producers outside the region who do not use U.S. inputs.

- Thus, the CBI program has contributed significantly to the two-way expansion of trade between the United States and the countries of Central America and the Caribbean. This trade expansion has strengthened our overall relations with these countries and provided new economic opportunities for people throughout the region. As we move together toward the Free Trade Area of the Americas, an enhanced CBI program can foster even closer relations and greater prosperity throughout the Caribbean rim..

Third Report to Congress on the Operation of The Caribbean Basin Economic Recovery Act

INTRODUCTION

The Caribbean Basin Economic Recovery Expansion Act of 1990 required the President to submit a report to Congress on the operation of the program by October 1, 1993, and every three years thereafter. Congress directed that the report address the operation of the program, including a general review of beneficiary countries based on the considerations described in subsections 212(b) and (c). The Third Report to Congress on the Operation of the Caribbean Basin Economic Recovery Act updates the 1996 report. It covers the period from mid-1996 through mid-1999. While the Office of the U.S. Trade Representative prepared the final version, the following agencies contributed to and approved this report: the Departments of State, Treasury, Commerce, Agriculture and Labor, the U.S. Agency for International Development (USAID), the Office of Management and Budget, the National Economic Council and the National Security Council.

The Caribbean Basin Economic Recovery Act (CBERA), better known as the Caribbean Basin Initiative (CBI), passed Congress in 1983 and was implemented largely during 1984. The CBERA provides beneficiary countries duty-free access to the U.S. market for all products not excluded by law. The CBERA was amended in 1990; CBERA II (also known as CBI II) made the CBERA a permanent program and modestly increased market access to the United States.

The CBERA imposes conditions countries must meet to be designated and conditions to maintain beneficiary status. The standards, in some cases such as the protection of intellectual property rights and worker rights, have increased in importance since CBI I was enacted. The approaching January 1, 2000

WTO deadline for developing countries to implement TRIPS obligations agreed to under the Uruguay Round has further increased interest in IPR obligations. While most beneficiaries are taking steps to meet the higher U.S. standards, some are encountering difficulties in doing so. This report lists the countries that have been designated as beneficiaries and describes the steps they are taking to maintain beneficiary status.

The CBERA was initially envisioned as a program to facilitate the economic development and export diversification of the Caribbean Basin economies. Overall, however, the CBERA appears to have benefitted both the beneficiary countries and the United States. U.S. exports to the region have more than tripled since the program began. A 1984 U.S. trade deficit with the region turned into a trade surplus of $2 billion by 1998, and a surplus of $830 million for the first six months of 1999.

This report is divided into the following sections. Chapter 1 briefly describes the key sections of the CBERA, including the law's requirements, the designation of beneficiary countries, and the changes made in CBERA II. Chapter 2 highlights trade between the United States and the CBERA beneficiaries, drawing largely upon the annual reports prepared by the U.S. International Trade Commission (USITC). Chapter 3 describes the CBERA beneficiaries' adherence to the criteria in the law. Chapter 4 summarizes private sector comments received as a result of the Administration's Federal Register notice requesting comments on the program.

Chapter 1

DESCRIPTION OF THE CBERA

Key Provisions

The Caribbean Basin Economic Recovery Act of 1983 (CBERA), commonly known as the Caribbean Basin Initiative or CBI, allows the President to grant unilateral duty-free treatment on U.S. imports of certain eligible articles from beneficiary countries. Congress amended the CBERA in Title II of the Customs and Trade Act of 1990 by enacting the Caribbean Basin Economic Recovery Expansion Act of 1990, commonly known as CBI II.

CBI II made the trade benefits of the CBERA permanent by repealing the 12-year termination date of September 30, 1995, in Section 218. CBI II also made certain improvements in the trade and tax benefits. Market access provisions enacted by CBI II include: a 20 percent tariff reduction on certain leather products, phased in over five years beginning in 1992 but limited to a total reduction of 2.5 per cent *ad valorem;* duty-free treatment for Puerto Rican products imported from CBI countries; and duty-free imports from beneficiary countries for products made from 100 percent U.S. components, except for textile and apparel articles, and petroleum and certain products derived from petroleum.

Additional improvements provided in CBI II include: an increase in the duty-free tourist allowance from \$400 to \$600; duty-free entry of one additional liter of alcoholic beverages for U.S. residents returning directly or indirectly from a CBI beneficiary country; an exception to the general cumulation rule, required under the antidumping and countervailing duty laws, for imports from CBI beneficiary countries; a scholarship assistance program for the region; and a strong commitment to make investment funds available to qualifying CBI countries under Section 936 of the Internal Revenue Code, since phased out.

In addition, as part of the ongoing efforts to make the program more effective through administrative enhancements, the list of products eligible for CBERA duty-free treatment was expanded through two proclamations, intended to make the CBERA consistent with the Generalized System of Preferences (GSP). Effective September 28, 1991 (Presidential Proclamation Number 6343), 94 tariff categories, affecting 47 million dollars in 1991 imports, were provided new or expanded duty-free treatment. A second expansion became effective on July 17, 1992 (Presidential Proclamation Number 6455). Twenty-eight tariff categories were provided new or expanded status as CBI-eligible goods.

Country Eligibility

Section 212 of the CBERA provides for the consideration of the following 27 countries and territories as potentially eligible for CBERA benefits: Anguilla, Antigua and Barbuda, The Bahamas, Barbados, Belize, Costa Rica, Dominica, Dominican Republic, El Salvador, Grenada, Guatemala, Guyana, Haiti, Honduras, Jamaica, Nicaragua, Panama, Saint Lucia, Saint Vincent and the Grenadines, Suriname, Trinidad and Tobago, Cayman Islands, Montserrat, Netherlands Antilles, Saint Kitts-Nevis, Turks and Caicos Islands, and British Virgin Islands.

Currently twenty-four countries, territories, and successor political entities receive CBI benefits. The following 20 countries were designated on January 1, 1984: Antigua and Barbuda, Barbados, Belize, British Virgin Islands, Costa Rica, Dominica, Dominican Republic, El Salvador, Grenada, Guatemala, Haiti, Honduras, Jamaica, Montserrat, Netherlands Antilles, Panama, St. Kitts and Nevis, Saint Lucia, Saint Vincent and the Grenadines, and Trinidad and Tobago. The Bahamas was designated on March 14, 1985. On April 11, 1986, Aruba was designated retroactive to January 1, 1986, upon becoming independent of the Netherlands Antilles. Guyana was designated effective November 24, 1988. Nicaragua was designated effective November 13, 1990. Panama's beneficiary status under CBERA was suspended on April 9, 1988, making it the first country to lose its designated status, and was restored effective March 17, 1990.

The following eligible countries and territories have not officially requested beneficiary status: Anguilla, Cayman Islands, Suriname, and Turks and Caicos Islands.

Section 212 also specifies the circumstances under which the President shall not designate a country as a beneficiary and lists the conditions the President shall take into account in determining whether to designate a country as a beneficiary. The President must notify the Congress of his intention to designate countries or his intention to withdraw benefits, together with the considerations entering into the decision. Chapter 3 contains a discussion of each country's compliance with the criteria since being designated.

It is important to note that unlike GSP, there is no requirement that a country "graduate" from CBERA benefits after reaching a certain level of economic development.

Product Eligibility

Section 213 of the CBERA provides for the eligibility of articles for preferential treatment. Preferential treatment applies only to an article which meets the rules of origin requirements specified in the law.

The CBERA exempts the following articles from duty-free treatment: textiles and apparel subject to textile agreements; footwear, handbags, luggage, flat goods (such as wallets, change purses and key and eyeglass cases), work gloves, and leather wearing apparel not eligible for duty-free treatment under the GSP program as of August 5, 1983; canned tuna; petroleum and petroleum products; and watches and watch parts containing components from non-most-favored-nation country sources.

Safeguard Provisions

The President may suspend duty-free treatment under Section 213(e) of the CBERA if temporary import relief is determined to be necessary due to serious injury to domestic producers pursuant to Section 203 of the Trade Act of 1974 or Section 232 of the Trade Expansion Act of 1962. The CBERA provides for emergency relief from imports of perishable products from beneficiary countries and sets out the procedures for using these safeguard provisions.

In January 1999, the U.S. steel industry submitted a petition seeking relief from imports of steel wire rod, a major export of Trinidad and Tobago, the first such petition affecting a CBERA beneficiary. In May 1999, the International Trade Commission (ITC) announced that three of the six ITC Commissioners had made an affirmative determination that steel wire rod is being imported into the United States in such increased quantities as to be a substantial cause of serious injury or threat of injury to the domestic steel wire rod industry. USTR Barshefsky, under authority delegated by the President, requested that the ITC provide additional information from the Commission to assist the President in deciding (1) which determination to consider as the determination of the Commission and (2) what action to take in the event he chooses the determination of the Commissioners finding in the affirmative. The President will make a determination on this case (TA-201-69) by September 27, 1999.

Rum

An excise tax of $13.50 a proof gallon is imposed under section 5001(a)(1) of the Internal Revenue Code (the Code) on distilled spirits, including rum, produced in or imported into the United States. The CBERA requires that excise taxes (less the estimated amount necessary for payment of refunds and drawbacks) on all rum imported into the United States, including rum produced in Puerto Rico, the Virgin Islands and CBERA countries be transferred to the Treasuries of Puerto Rico and the Virgin Islands (section 7652(e) of the Code). During fiscal years 1996, 1997, and 1998, the rate at which the amount of the transfers was calculated was $11.30 per proof gallon (section 7652(f) of the Code).

The CBERA provides that if the amounts transferred to Puerto Rico or the Virgin Islands are reduced below the amount that would have been transferred if the imported rum had been produced in Puerto Rico or the Virgin Islands, the President shall consider compensation measures and may withdraw the duty-free treatment of rum produced in CBI countries. This provision, intended to provide a remedy should the amounts covered over to Puerto Rico and the Virgin Islands fall below such amounts transferred under prior law, has never been invoked.

The Bureau of Alcohol, Tobacco and Firearms reports that for FY 1998, the transfer of excise taxes on rum to Puerto Rico was $218,287,417 and to the Virgin Islands was $2,351,984. The amount related to rum imported from other areas, including Caribbean Basin countries, was $16,537,790.

Reports on the Impact of the CBERA

The CBERA mandates a series of reports to Congress and the President to be submitted by the U.S. International Trade Commission. The first annual report covered 1984 to 1985 and was published in September 1986. The current (fourteenth) annual report covering 1998 is scheduled for publication this month. These reports chronicle the increase in trade between the United States and the Caribbean Basin countries since the CBERA became effective, although imports under CBERA provisions continue to account for a small amount (about 1.9%) of total U.S. imports.

The CBERA also states that the Secretary of Labor, in consultation with other appropriate Federal agencies, shall undertake a continuing review and analysis of the impact which the implementation of the provisions of the CBERA have with respect to U.S. labor. The Secretary of Labor is required to make an annual written report to Congress on the results of such review and analysis.

Beginning in August 1985, the U.S. Department of Labor has transmitted an annual report to Congress concerning the effects of the CBERA on U.S. employment. These reports discuss the benefits provided by the CBERA and compare them to the benefits available to these nations under the GSP and Sections 9802.00.60 and 9802.00.80 of the Harmonized Tariff Schedules of the United States. These annual reports also analyze U.S. merchandise trade with the CBERA beneficiaries, attempt to identify import flows that have benefitted from the trade provisions unique to the CBERA, and discuss trends in U.S. employment in those sectors where import flows may have been stimulated by trade provisions unique to CBERA. The consistent finding of the U.S. Department of Labor's eleven annual reports issued so far has been that the preferential tariff treatment provided to the products of the CBI beneficiaries does not appear to have had an adverse impact on, or have constituted a significant threat to, U.S. employment.

Tax Provisions

U.S. taxpayers can deduct legitimate business expenses incurred attending a business meeting or convention in a qualifying CBERA country without regard to the more stringent requirements usually applied to foreign convention expenses. A qualifying CBERA country must have a tax information exchange agreement in effect and may not discriminate against conventions held in the United States.

As of July 1999, the following eleven countries have satisfied all CBERA legal requirements, which were incorporated into the Internal Revenue Code under section 274(h):

Barbados
Bermuda
Costa Rica
Dominica
Dominican Republic
Grenada
Guyana
Honduras
Jamaica
Saint Lucia
Trinidad and Tobago

Section 936

In 1990, CBERA II required the Government of Puerto Rico to "take such steps as may be necessary to ensure that at least $100 million of qualified Caribbean Basin country investments are made" each year. Until its repeal in 1996, Section 936 of the Internal Revenue Code provided that certain corporate U.S. taxpayers could claim an income tax credit for a portion of the U.S. tax attributable to taxable income from certain activities carried on within Puerto Rico or the Virgin Islands. The credit extended to "qualified possession source investment income" (QPSII), which is income attributable to the investment in the possession (or qualifying Caribbean Basin country) of funds derived from an active trade or business in the possession. A CBI country could not qualify for these investments unless the country had a tax information exchange agreement in effect with the United States.

Puerto Rico has met its CBERA lending commitment for each year for which the commitment was in effect. For example, for 1992, projects disbursed with Section 936 funds amounted to a total of $183,013,000. In 1993, the Government of Puerto Rico announced that it would increase the minimum level of CBERA lending from $100 million to $200 million per year. Based on September 30, 1994 data provided by Puerto Rico's Bureau of Caribbean Basin Affairs, loans of Section 936 funds for projects in seven qualified Caribbean Basin countries in 1993 totalled $202,539,000. Section 936 loans for six qualified Caribbean Basin countries in 1994 totalled $223,604,000. Up to December 31, 1995, a total of $1,287,836,069 in Section 936 loans had been made.

However, in 1996, Section 936 was repealed as part of the Small Business Job Protection Act and although companies already qualifying for the business activity credit are permitted to continue to claim that credit until 2005, no such grandfather rule applies to QPSII. Accordingly, this source of investment income for qualifying countries no longer is available.

United States Agency for International Development

While overall assistance to CBERA beneficiaries had been declining in recent years, the situation changed in 1998, when devastating storms hit the region (Hurricane Georges in the Caribbean and Hurricane Mitch in Central America). The region suffered an estimated $7-10 billion in losses. Supplemental funding by Congress was provided to help the region recover, reconstruct and mitigate the effects of future storms. USAID assistance programs to CBERA beneficiaries to help them recover from the effects of Hurricanes Georges and Mitch totaled more than $471 million in 1999. A summary of total USAID FY 1999 activity in the region follows, including a country-by-country breakdown of hurricane-related relief.

US AID Programs in the Caribbean (FY 99 Estimate)

Caribbean / US AID Program	Dominican Republic	Guyana	Haiti	Jamaica
Public Health	$ 7,500,000	0	$ 600,000	0
Economic Reconstruction	8,000,000	0	5,200,000	0
Housing and Shelter	8,500,000	0	0	0
Schools	5,000,000	0	0	0
Disaster Mitigation	0	0	4,000,000	0
Other	0	0	0	0
Hurricane Related (Subtotal)	*29,000,000*	*0*	*9,800,000*	*0*
Development Assistance	5,998,000	2,300,000	0	6,120,000
Child Survival & Disease Fund	9,085,000	0	0	3,926,000
Economic Support Funds	2,300,000	0	70,000,000	0
P.L. 480 Title II	9,841,000*	0	25,579,000	0
P.L. 480 Title III	0	0	10,000,000	0
Ongoing Programs (Subtotal)	*27,224,000*	*2,300,000*	*105,579,000*	*10,046,000*
Country Total	**$ 56,224,000**	**$ 2,300,000**	**$ 115,379,000**	**$ 10,046,000**

Notes:
* includes emergency food aid in response to Hurricane Mitch.

Source: The U.S. Agency for International Development's (USAID) FY 1999 Appropriations Figures

US AID Programs in Central America (FY 99 Estimate)

Central America / US AID Program	El Salvador	Guatemala	Honduras	Nicaragua	Panama
PUBLIC HEALTH	$ 2,200,000	0	$ 90,000,000	$ 25,108,000	0
ECONOMIC RECONSTRUCTION	10,910,000	24,000,000	121,000000	52,905,000	0
HOUSING AND SHELTER	2,000,000	0	20,000,000	0	0
Schools	3,000,000	0	20,000,000	4,500,000	
DISASTER MITIGATION	4,000,000	1,000,000	32,000,000	6,595,000	
OTHER	0	0	8,000,000	5,000,000	0
Hurricane Related (subtotal)	*22,100,000*	*25,000,000*	*291,000,000*	*94,108,000*	*0*
Development Assistance	20,050,000	16,400,000	17,545,000	16,600,000	$ 4,598,000
Child Survival & Disease Fund	11,378,000	11,135,000	22,840,000	11,940,000	0
Economic Support Funds	2,000,000	25,000,000	0	1,500,000	429,000
P.L. 480 Title II	2,259,000*	28,428,000*	40,218,000*	13,069,000*	0
Ongoing Programs (subtotal)	*35,687,000*	*80,963,000*	*80,603,000*	*43,109,000*	*5,027,000*
Country Total	**$ 57,78,000**	**$ 105,963,000**	**$ 371,603,000**	**$137,217,000**	**$5,027,000**

Notes:
* includes emergency food aid in response to Hurricane Mitch.

Source: The U.S. Agency for International Development's (USAID) FY 2000 Congressional Presentation, http://www.info.usaid.gov/pubs/cp2000.

Andean Benefits

CBERA II called for the consideration of extending trade benefits to the Andean region. The Andean Trade Preference Act (ATPA) enacted on December 4, 1991, authorized the President to designate Bolivia, Colombia, Ecuador and Peru as recipients of preferential trade benefits similar to those benefits granted to beneficiary countries under the Caribbean Basin Economic Recovery Act (CBERA) program. All four countries have been so designated. The ATPA expires on December 4, 2001.

Ethyl Alcohol--Section 423

Section 7 of the Steel Trade Liberalization Program Implementation Act of 1989 (Public Law 101-221), as amended (19 U.S.C. 2703), sets forth requirements for the duty-free entry of non-beverage grade ethyl alcohol imported after 1989 from U.S. insular possessions and designated beneficiary countries under the CBERA. Under section 423, ethyl alcohol from an insular possession or a beneficiary country is entitled to duty-free treatment if it is an "indigenous product" of the possession or beneficiary country. If ethyl alcohol is produced by a process of full fermentation in a possession or beneficiary country, it is considered to be an indigenous product (and thus enters duty free).

With respect to ethyl alcohol which is merely dehydrated in a possession or beneficiary country, the first 60 million gallons (or an amount equal to 7% of the U.S. domestic market for ethyl alcohol, whichever is greater) imported during a calendar year is considered "indigenous" and may enter duty free, even though no local feedstock (hydrous ethyl alcohol produced in the possession or beneficiary country) is used. After the base quantity (the greater of 60 million gallons or an amount equal to 7% of the domestic market) has been imported during the calendar year, an additional 35 million gallons may be entered duty free, provided, at least 30 percent of the ethyl alcohol is derived from local feedstock. After these additional 35 million gallons have been imported, any additional imports during the same calendar year will be duty free only if 50% of the product is derived from local feedstock.

The USITC determines the number of gallons equal to 7% of the U.S. domestic market for ethyl alcohol based on data provided by Department of Treasury on domestic alcohol fuel producers. The 7% figure is based on information on U.S. consumption during the 12-month period ending on the September 30 preceding the beginning of each calendar year. Once the greater of 60 million gallons or 7% of the domestic market is determined for each calendar year, the U.S. Customs Service monitors imports of dehydrated ethyl alcohol from possessions and beneficiary countries to ensure that any ethyl alcohol imported over and above that base quantity meets the local feedstock requirement.

For the twelve month period ending September 30, 1998, the USITC determined the level of U.S. consumption of fuel ethyl alcohol to have been 1.3 billion gallons, with the base quantity level set at 94.1 million gallons. To date, the quantity of imports of dehydrated ethyl alcohol from possessions and beneficiary countries during each calendar year after 1989 has not approached the base quantity for those years. The Customs Service has experienced no difficulty in administering this statutory provision.

Chapter 2
TRADE UNDER THE CBERA

U.S. Trade with CBERA Countries 1995-1998

Table 2-1

Year	US Exports*	US Exports to the World	US imports**	US Imports from the World	US Trade Balance
	Million $$$	*Percent*	*Million $$$*	*Percent*	*Million $$$*
1995	14,870.3	2.7	12,550.1	1.7	2,320.2
1996	15,374.7	2.6	14,544.8	1.8	829.9
1997	17,807.9	2.8	16,572.4	1.9	1,235.4
1998	19,200.1	3.0	17,124.3	1.9	2,075.8
1999(jan-june)	10,009.1	2.9	9,182.9	1.9	830.0

*Domestic exports, f.a.s. basis
**imports for consumption, customs value
Source: Compiled from official statistics of the U.S. Department of Commerce

U.S. TRADE WITH THE CARIBBEAN BASIN: U.S. IMPORTS

U.S. imports from CBERA countries traditionally consisted of agricultural products, raw materials, and their derivatives—namely, petroleum products, sugar cane, coffee, cocoa, bananas, and aluminum ores and concentrates. The deterioration in the terms of trade for these export items and a quest for economic growth prompted CBERA countries to seek diversification in their export profile. The encouragement of such diversification of the Caribbean Basin economies was one of the intended goals of the United States in implementing the CBERA program.

There has been a significant shift in the composition of U.S. imports from CBERA beneficiaries. In 1984, petroleum products were nearly half of all imports from CBERA countries. By 1998, petroleum accounted for only 5.8% of the total. Apparel and clothing accessories have become the largest U.S. import from CBERA countries. U.S. imports of apparel from CBERA countries, both knitted and non-knitted, totaled $8.2 billion in 1998, 48% of total CBERA exports to the United States. Apparel is not generally eligible for CBERA tariff preferences.

Other manufactured items, including electrical and electronic machinery and parts, optical, photographic and surgical instruments and nuclear reactor components have also emerged as significant CBERA exports to the United States. As a group, these product categories accounted for 9% of total CBERA exports to the U.S. in 1998. Some of the more progressive CBERA countries have also begun to attract the interest of the high technology sector, with major investments made recently in high tech microprocessing and custom filtration equipment plants.

Traditional Caribbean exports remain an important source of income and, especially, employment for the region. CBERA traditional exports accounted for 18.8% of total U.S. imports from the region in 1998. Major product categories included: edible fruits and nuts; coffee, tea and spices; fish and shellfish and; tobacco. However, even in agricultural exports, there has been increasing diversification and some shift in the composition, with non-traditional products, such as strawberries and cut flowers, accounting for an increasing share of the total.

Imports from the Caribbean Basin accounted for 1.9% of total U.S. imports in 1998, down from the 2.7% registered in 1984 at the start of the program but up from the 1.8% level registered in 1996. While Caribbean Basin country products represent only a fraction of U.S. imports, the United States is the primary export market for many of these countries.

Apparel Imports from CBERA Countries

While generally not eligible for CBERA tariff preferences, apparel constitutes the largest category of imports from the CBERA countries -- growing from just 5.5 percent of total U.S. imports from the region in 1984, to 48% in 1998. Apparel imports from the region were valued at $8.2 billion in 1998 and has ranked as the leading category of U.S. imports from the region since 1988.

In the four years before the North American Free Trade Agreement (NAFTA) became effective on January 1, 1994, U.S. apparel imports from CBERA countries and Mexico rose at similar rates of 23 to 24 percent a year. However, NAFTA has resulted in a shift in favor of imports from Mexico. Mexico's share of the U.S. apparel assembly market has increased almost 10 percentage points since NAFTA was phased in. The CBI share of that market has dropped by about the same percentage. Mexico is now the overall largest supplier to the U.S. market.

The shift of apparel imports from CBERA countries to Mexico is generally attributed to the preferential tariffs accorded under NAFTA to Mexican goods. U.S. imports of apparel from Mexico that are assembled from U.S.-formed and cut fabric enter free of duty under NAFTA, but imports of such apparel from CBERA countries are still dutiable on the value added offshore. At the urging of CBI countries and their apparel manufacturing partners in the United States, legislation to enhance benefits on some categories of apparel imports from CBI beneficiaries is currently under consideration by Congress.

CBERA Imports by Country

In 1998, the Dominican Republic continued to lead all countries in taking advantage of CBERA, as it has done virtually each year since the program became effective. U.S. imports under CBERA from the Dominican Republic constituted 40% of all imports which entered the U.S. under CBERA. Costa Rica remained in second place, accounting for 24% of all U.S. imports under CBERA. Guatemala ranked as the third-leading CBERA beneficiary in 1998, as it has each year since 1989. Honduras ranked fourth in 1998, as it has every year since 1995, followed by Trinidad and Tobago. Import levels from Nicaragua and El Salvador, which had registered healthy increases in recent years, fell sharply following Hurricane Mitch last fall. Imports registered under the CBERA program from Nicaragua fell from $135 million in 1997 to $72 million in 1998. El Salvador's exports under the CBERA program dropped from $81 million in 1997 to $50 million in 1998. Similarly, imports from Belize fell from $35 million in 1997 to $20 million last year. In contrast, tiny Grenada succeeded in more than doubling its CBERA exports to the United States between 1997 and 1998.

Table 2-2
U.S. imports for consumption under CBERA provisions, by countries, 1996-98

Rank	Country	1996	1997	1998	1998 share of total
		----------------1,000 dollars, customs value--------------			
	Percent				
1	Dominican Republic	$932,413	$1,136,523	$1,294,533	40.2
2	Costa Rica	657,127	746,354	756,579	23.5
3	Guatemala	279,768	270,268	268,869	8.3
4	Honduras	207,288	263,814	236,073	7.3
5	Trinidad and Tobago	184,895	226,244	186,219	5.8
6	Jamaica	95,965	74,515	102,178	3.2
7	Panama	51,352	81,064	77,453	2.3
8	Nicaragua	116,007	135,340	72,694	2.3
9	El Salvador	91,253	81,799	50,206	1.6
10	The Bahamas	20,765	25,132	34,914	1.0
11	Haiti	30,223	31,194	28,167	.9
12	St. Kitts and Nevis	19,241	24,636	25,428	.8
13	Guyana	32,285	28,512	24,617	([1])
14	Barbados	23,089	24,983	20,392	([1])
15	Belize	24,760	34,710	19,706	([1])
16	Grenada	1,007	4,071	8,242	([1])
17	St. Lucia	7,129	5,263	7,802	([1])
18	St. Vincent and the Grenadines	3,580	2,373	3,532	([1])
19	Netherlands Antilles	4,357	3,862	2,775	([1])
20	Dominica	2,204	1,557	1,858	([1])
21	Aruba	138	166	1,779	([1])
22	British Virgin Islands	631	262	333	([1])
23	Antigua and Barbuda	1,615	522	214	([1])
24	Montserrat	3,962	4,679	-	([1])

Total	2,791,054	3,207,842	3,224,564	100.0

[1] Less than 1.0 percent.

Note.—Figures may not add to the totals given due to rounding.

Source: U.S. International Trade Commission.

CBERA entries from the Dominican Republic continued to rise, totaling $1.2 billion in 1998. Higher priced cigars were the leading CBERA export to the U.S., with a total of $216 million shipped last year, a small decrease from the $217 million shipped in 1997. This drop was more than compensated for by an increase in CBERA entries of medical goods, which rose from $83 million in 1997 to $214 million in 1998. Other leading CBERA goods were footwear uppers ($172 million), jewelry ($123 million), raw sugar ($113 million), automatic circuit breakers ($57 million) and electrical goods ($35 million).

CBERA entries from Costa Rica grew to $757 million in 1998, up modestly from $746 million in 1997. Entries of electrical equipment, including telephone switching and terminal items incorporating printed circuit assemblies more than doubled, from $48 million in 1997 to $108 million in 1998. Other major CBERA entries from Costa Rica included pineapples ($61 million), jewelry ($42 million) and hair dryers ($39 million). Agricultural products remain a significant component of Costa Rican CBI entries, including frozen concentrated orange juice ($27 million) and fresh and chilled fish ($17 million).

CBERA entries from Guatemala were $268 million in 1998, a small decline from 1997 entries of $270 million. While chemicals remained the single largest entry ($26 million), agricultural imports comprised the bulk of CBERA entries from Guatemala, including vegetables ($21 million), tobacco ($20 million), raw sugar ($19 million) and cantaloupes ($15 million).

Honduran CBERA imports fell from $263 million in 1997 to $236 million in 1998, mainly due to the devastating impact of Hurricane Mitch. CBERA entries of high valued cigars, Honduras' single largest CBERA export, fell from $69 million in 1997 to $45 million in 1998. Other major CBERA product entries from Honduras include disposable apparel designed for use in hospitals ($23 million), cantaloupes ($19 million) and footwear uppers ($17 million).

CBERA entries from Trinidad and Tobago fell from $226 million in 1997 to $186 million in 1998. Most of the change was accounted for in the sharp drop of methanol entries, which fell from $90 million in 1997 to $57 million in 1998. Trinidad's largest CBERA export to the U.S., iron and non-alloy steel bars and rods, also fell modestly, from $62 million in 1997 to $59 million last year. Other CBERA entries from Trinidad and Tobago include carbides ($12 million), tires ($7 million) and fish ($5 million).

There were also shifts in the composition of imports from smaller CBERA beneficiaries. CBERA entries from Jamaica rose from $74 million in 1997 to $102 million in 1998. Most of the increase was accounted for in an increase in CBERA entries of higher valued cigars, which rose from $11 million in 1997 to over $30 million in 1998. CBERA entries from the Bahamas jumped from $25 million in 1997 to $34 million in 1998. Virtually all of this increase was due to CBERA entries of $15 million of polystyrene. CBERA entries from Grenada more than doubled, from $3 million in 1997 to $7 million in 1998, due to rising imports of electrical switching circuitry.

Entries from Central American CBERA beneficiaries were negatively impacted by Hurricane Mitch, which caused an estimated $7-10 billion in losses to the region, including widespread crop losses. The scale of the destruction is reflected in the sharp drops in CBERA entries from the hardest-hit regions. CBERA entries from Nicaragua fell 47%, from $135 million in 1997 to $72 million in 1998. Most CBERA product categories registered drops, including cigars (60%), raw sugar (46%) and beef (44%). CBERA entries from El Salvador fell from $82 million in 1997 to $50 million in 1998, a drop of 39%. Most of the country's sugar crop was lost, with CBERA entries of raw sugar falling 85%, from $22 million in 1997 to just $3 million in 1998. CBERA imports from Belize fell 44% from $34 million in 1997 to $19 million in 1998, led by falls in CBERA entries of raw sugar (24%) and frozen concentrated orange juice (55%).

***SECTION 213(h)*:** Section 213(h) of the CBERA, as added by section 212 of the Caribbean Basin Economic Recovery Expansion Act of 1990, was implemented on May 1, 1992 (Presidential Proclamation 6428).

Under the 1990 CBERA Expansion Act, a 20 percent tariff reduction was applied to certain leather products (handbags, luggage, flat goods, work gloves, and leather wearing apparel), to be phased in over five years beginning January 1, 1992. These products were excluded from benefits in the original CBERA legislation. It was established that the duty reductions must not exceed 2.5 percent *ad valorem*, signifying that the full 20 percent duty reduction would apply only to products with a tariff rate of 12.5 percent or lower. These products must be the product of a CBI beneficiary country and must not have been eligible for duty-free entry under the GSP as of August 5, 1983. This applies to goods entering the United States or withdrawn from warehouse for consumption on or after January 1, 1992. The value of imports eligible for this duty reduction in 1998 was not statistically significant.

SECTION 222: CBI II provided some reduction of duties on leather flat goods and eliminated duties on certain footwear and leather goods assembled entirely from U.S. components. Most articles of footwear are not eligible for duty-free treatment under the CBERA. Exceptions to this exclusion are thonged footwear (zoris), disposable footwear, and most parts of footwear such as unformed leather uppers. Section 222 of the 1990 CBERA Expansion Act permitted, for the first time under the CBERA, duty-free entry of completed footwear assembled in CBERA countries entirely from U.S. components. The value of completed footwear imports under section 222 still is significantly smaller than the $196 million of unformed leather uppers entered duty-free in 1995 under regular CBERA provisions. Almost all of the Section 222 footwear imports entered from the Dominican Republic, where a number of U.S. manufacturers produce unformed leather uppers from U.S. components for re-export to the United States for final processing into finished dress and casual shoes.

U.S. TRADE WITH THE CARIBBEAN BASIN: U.S. EXPORTS

Although the CBI was initially envisioned as a program to facilitate the economic development and export diversification of the Caribbean Basin economies, U.S. export growth to the region has been a welcome development. In 1998, U.S. exports to CBERA countries totaled $19.2 billion, up 12.2% over 1997 levels. The United States has run a trade surplus with CBERA beneficiaries every year since 1985. In 1998, the U.S. trade surplus with CBERA beneficiaries was $2 billion, a 68% increase over 1997. In 1998, the U.S. trade surplus with CBERA beneficiaries was $2 billion, a 68% increase over 1997. For the first six months of 1999, the U.S. trade surplus with the region was $830 million. Taken together, the countries of the region absorbed 3% of total U.S. exports in 1998, up from 2.7% in 1995.

Chapter 3

ELIGIBILITY CRITERIA AND ADVANCEMENT OF TRADE POLICY GOALS

This chapter will look at how individual countries have met the eligibility criteria and advancement of trade policy goals set forth in the legislation. It is an update of the 1996 report and covers the period from mid-1996 to mid-1999.

INTRODUCTION

The Law: Section 212(b) and (c) sets out the criteria for designating a country as a beneficiary under the CBERA. This chapter discusses CBERA beneficiaries' adherence to the criteria. The first section of Chapter 3 describes the provisions of the CBERA and provides a general look at how the region is meeting the criteria. Section two, country reports, is based on information provided by U.S. Embassies.

I. Criteria and Regional Adherence

Communist Country: This section stipulates that the President shall not designate any country a CBERA beneficiary country "if such country is a Communist Country." No communist country requested designation or was designated a beneficiary country.

Nationalization/Expropriation: This section addresses expropriation or nationalization by a CBI beneficiary country of the property of a U.S. citizen. If such an expropriation or nationalization occurs, the CBI country must be "taking steps" toward resolving the issue.

Arbitral Awards: This section stipulates that the President shall not designate any country a beneficiary country if such country fails to act in good faith in recognizing as binding or enforcing arbitral awards in favor of U.S. citizens or a corporation, partnership or association that is 50 percent or more beneficially owned by U.S. citizens, which have been made by arbitrators appointed for each case or by permanent arbitral bodies to which the parties involved have submitted their dispute.

Reverse Preferences: The law stipulates that if a country affords preferential treatment to the products of a developed country, other than the United States, which has or is likely to have a significant adverse effect on U.S. commerce, it will not be designated as a beneficiary country. We have had no indication that any country currently benefitting from the CBERA, has granted reverse preferences to a developed nation. Furthermore, with few minor exceptions, all CBERA beneficiary countries are current WTO members or are in the process of acceding to the WTO and have, by entering such a commitment, agreed to the most-favored-nation principle.

The Protection of Intellectual Property Rights and Government broadcast of copyrighted material. These criteria require an assessment of "the extent to which" CBERA countries protect intellectual property rights (IPR) and prohibit the government broadcast of copyrighted material without express consent of the copyright holders. When the CBERA was enacted in 1984, private sector complaints against the potential beneficiary countries were principally directed to the unauthorized interception and retransmission of U.S. origin satellite signals. U.S. exports of copyrighted works are important to our balance of payments and are dependent on effective IPR protection. The CBERA beneficiaries offer a growing market for such exports, as well as U.S. high technology.

The United States is placing increasing importance on the availability of adequate and effective levels of protection for IPR in its relationships with its trading partners. The negotiation of the Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS) in the Uruguay round, the passage of Mexico's 1991 Industrial Property Law, and the IPR provisions within the NAFTA are all products of this increased level of attention to the problems of inadequate protection of IPR. In addition, USTR is conducting a special review to assess the progress made by developing countries in meeting their TRIPS obligations which come into force January 1, 2000. USTR will announce at the conclusion of this review in early January the actions it will take to address situations in which WTO members have failed to implement their obligations, including the possible initiation of additional dispute settlement cases.

As a result, much more attention is now being devoted to raising all IPR standards in CBERA countries. While none of the CBERA countries yet meets the NAFTA standards, improvements have occurred in the region. We expect that all WTO members who are CBERA beneficiaries will adopt the protections required in the TRIPS agreement. Toward this aim, the U.S. continues to provide technical assistance bilaterally and in conjunction with multilateral organizations to assist CBERA countries in meeting their obligations.

Extradition: The legislation stipulates that unless such country is signatory to a treaty, convention, protocol, or other agreement regarding the extradition of U.S. citizens, it will not be designated as a beneficiary country.

Worker Rights: The CBERA specifies that the President may not designate a country as a beneficiary if such country has not or is not taking steps to afford internationally recognized worker rights (as defined in the Generalized System of Preference statutes) to workers in that country (including any designated zone in that country). The GSP statutes define internationally recognized worker rights as: freedom of association; the right to organize and bargain collectively; a prohibition on forced or compulsory labor; a minimum age for the employment of children; and acceptable conditions of work.

Information on worker rights laws and practices for each of the five standards above are described in detail in the State Department's annual *Country Reports on Human Rights Practices*. For more information, the *Country Reports* and documents of the International Labor Organization (ILO) should be consulted.

Countries of the Caribbean Basin, for the most part, are taking steps to meet the requirements of internationally recognized worker rights. Concerns regarding worker rights practices, however, remain in some countries in terms of ILO findings and worker rights investigations under the GSP.

Desire to be designated: Presently, twenty-four countries have been designated eligible to receive the benefits of the preferential provisions of the CBERA. As part of the designation process, every country formally requested to be designated. The most recent designation, for Nicaragua, was effective November 13, 1990. The following 20 countries were designated on January 1, 1984: Antigua and Barbuda, Barbados, Belize, British Virgin Islands, Costa Rica, Dominica, Dominican Republic, El Salvador, Grenada, Guatemala, Haiti, Honduras, Jamaica, Montserrat, Netherlands Antilles, Panama, St. Kitts-Nevis, Saint Lucia, St. Vincent and the Grenadines, and Trinidad and Tobago. The Bahamas was designated a CBERA beneficiary country on March 14, 1985. On April 11, 1986, Aruba was designated a CBERA beneficiary retroactive to January 1, 1986, upon becoming independent of the Netherlands Antilles. Guyana was designated a CBERA beneficiary effective on November 24, 1988. Panama's beneficiary status under the CBERA was suspended on April 9, 1988, making it the first country to lose its designated status. Panama's benefits were restored effective March 17, 1990. Non-designated countries and territories include: Anguilla; Cayman Islands; Suriname; and Turks and Caicos Islands.

*Economic conditions***:** The economies of most countries in the CBERA region began to revive by the early 1990s and growth resumed as economic adjustment programs took hold. One key to this economic revival is the regional shift away from restrictive and protectionist economic policies that had stifled growth and economic competitiveness, and the initiation of ambitious economic reforms. Another factor in promoting growth has been increasing regional integration. However, many of the CBERA countries still face the challenges of serious income disparities which result in widespread poverty, deteriorating economic infrastructure, contraband trafficking, and some insurgent violence.
The following country reports will give a brief description of current economic conditions in beneficiary countries. Additional information is available on each country in the annual "Economic Trends" and "Investment Climate" reports submitted by U.S. Embassies. Information regarding economic developments in the CBERA countries is also included in the annual *Economic Trends* reports available through the National Trade Data Bank at the Department of Commerce's district offices.

WTO rules: The following countries are members of the World Trade Organization (WTO) and are assumed to be following the established rules and criteria for membership: Antigua and Barbuda, Barbados, Belize, Costa Rica, Dominica, Dominican Republic, El Salvador, Grenada, Guatemala, Guyana, Haiti, Honduras, Jamaica, Netherlands Antilles, Nicaragua, Panama, St. Kitts and Nevis, Saint Lucia, Saint Vincent and the Grenadines, Trinidad and Tobago. The Bahamas has not applied for full accession to the WTO. Sufficient information does not exist to detect the extent to which the smaller countries are in compliance with the WTO. The WTO Trade Policy Review Mechanism will monitor compliance.

Use of Export Subsidies or Imposes Export Performance Requirements or Local Content Requirements Which Distort International Trade: The country reports address this issue where appropriate

Trade Policies Revitalize Region: Since the last report, countries in the CBERA region have continued, for the most part, to implement policies that have revitalized the region. With few exceptions, countries have substantially reformed economies and liberalized their trade and investment regimes. The importance of trade benefits has been determined in large measure by the degree to which countries have diversified and expanded their exports as a result of their trade liberalization policies in the context of the Uruguay Round of the GATT and the Central American Common Market. In this context, trade policies have facilitated regional integration of Central American countries.

Self-Help Measures: These criteria seek assurances that countries in the region are taking steps to help their own economic development. The country reports below detailing trade and investment liberalization and recent macroeconomic performance and privatization are intended to cover this section.

Cooperation in Administration of CBERA: The CBERA beneficiaries have cooperated in the administration of the program when requested by the U.S. Government.

II- Country Reports: Compliance with Eligibility Criteria

This section updates information on individual countries regarding eligibility criteria.

NOTE: This report uses National Product Per Capita amounts found in the 1998 Worldfact Book *published by the Central Intelligence Agency. These figures are different than figures for GDP per capita. National product reflects purchasing power parity (PPP). PPP takes into account exchange rate fluctuation. On average, one thousand dollars -- converted into the local currency at the PPP conversion rate -- will buy the same market basket of goods in the U.S., as one thousand dollars will buy in the other country. Using this method -- purchasing power parity-- in reporting national income per capita allows for a more meaningful comparison of the relative strengths of different economies because it eliminates the effect of exchange rate fluctuation.*

Antigua and Barbuda

Population: 64,006
National Product Per capita: $7,400*
**National product: GDP -- purchasing power parity*
Source: 1998 Worldfact Book - CIA

Department of Commerce 1998 Trade Statistics:
Imports from the United States: $97,000,000
Exports to the United States: $2,000,000
U.S. Trade Balance: + $95,000,000

Economy: The economy is primarily service-oriented, with tourism the most important sector. Following economic contraction of 5% in 1995, primarily caused by hurricane damage, the economy rebounded strongly from 1996-1998, but began to show signs of slowdown in early 1999. Real economic growth was estimated at 5.3% in 1997, marginally below the 5.4% rate of increase in 1996, according to the Eastern Caribbean Central Bank. This expansion was spurred largely by developments in the construction sector and the tourism industry, which continued to recover from the effects of the 1995 hurricane. Nonetheless, Antigua and Barbuda's competitiveness as a tourist destination needs to be improved as it is rapidly becoming one of the most expensive tourist destinations in the region. Trade liberalization would be advanced by reducing import tariffs to the 5-20% range mandated by CARICOM and by eliminating quantitative restrictions.

The Protection of Intellectual Property Rights and Government Broadcast of Copyrighted Material: With the exception of video piracy in the rental market and reports of the use of broadcast material without payment, there have been no complaints regarding the use of intellectual property.

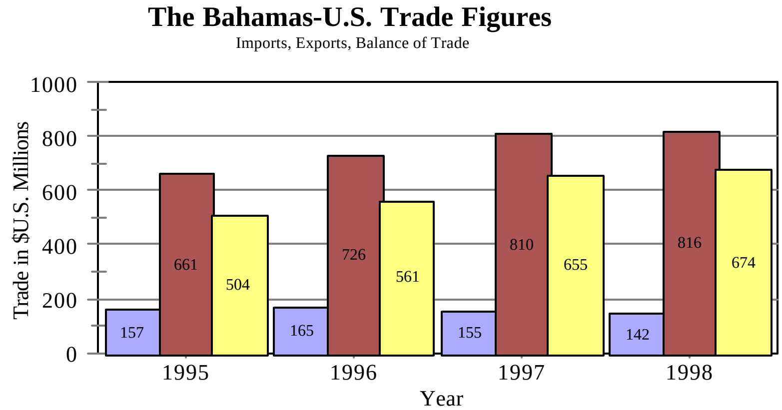
Worker Rights: Workers have the right to associate freely and to form labor unions, and the authorities generally respect these rights in practice. There have been no specific reports of problems regarding inadequate protection of workers rights.

Use of Export Subsidies or Imposes Performance Requirement or Local Content Requirements Which Distort International Trade: Antigua and Barbuda does not have export subsidies, nor does it impose export performance or local content requirements.

The Bahamas

Population: 279,833
National Product Per capita: $19,400*
**National product: GDP -- purchasing power parity. Source: 1998 Worldfact Book - CIA*

Department of Commerce 1998 Trade Statistics
Imports from the United States: $816,000,000
Exports to the United States: $142,000,000
U.S. Trade Balance:
+ $674,000,000



Economy: The Bahamas has a predominately import-based economy and is not actively exporting under the CBERA with the exception of small amounts of chemicals and plastics. Its economy is based on tourism and offshore banking. The country wants to continue to benefit from the Act, and uses it as an incentive to attract foreign investment. The Bahamas has one of the highest per capita incomes in the region. Its economic growth is dominated by tourism that is now experiencing new development after several years of decline. This economic growth is likely to increase if the tourism sector continues the current trend. Although the Bahamian government frequently indicates a willingness to make moves that would encourage diversification of the economy, progress has been slow.

The overall growth of the Bahamian economy is attributed to new tourism developments. However the Bahamian government has also adopted a proactive approach to courting foreign investors. It has undertaken investment missions to the Far East, Europe, Latin America**,** and the United States. The primary purpose of these trips was to restore the reputation of The Bahamas in these markets.

There is no bilateral investment treaty between the United States and The Bahamas at this time, but The Bahamas actively encourages foreign investment in certain sectors of the economy, particularly in tourism, banking, agriculture and manufacturing.

The Bahamas follows international trade rules under the WTO and other agreements (see the 1993 report). It does not employ export subsidies.

Extradition: The Bahamas signed an extradition treaty with the United States on September 22, 1994.

The Protection of Intellectual Property Rights and Government broadcast of copyrighted material: The Bahamas is a member of the World Intellectual Property Organization (WIPO). Although the Parliament passed a new copyright protection law in 1998, the Government has delayed enacting the legislation. Generally, copyright laws to control piracy in the satellite and video industries have not been enforced.

*Worker Rights***:** The Bahamian Constitution specifically grants labor unions the rights of free assembly and association. These rights are exercised extensively, particularly in the hotel industry where 80 percent of the employees are unionized. Unions operate without restrictions or government controls. The 1996 amendment to the Industrial Relations Act of 1970 establishes an industrial tribunal to determine trade disputes in nonessential areas and for related matters.

Barbados

Population: 259,025
National Product Per capita: $10,900*
**National product: GDP -- purchasing power parity*
Source: 1998 Worldfact Book - CIA

Department of Commerce 1998 Trade Statistics
Imports from the United States: $281,000,000
Exports to the United States: $34,000,000
U.S. Trade Balance: + $247,000,000

Economy: The Barbadian economy has performed well since coming out of recession in 1993. Growth rates have averaged about 3% each year. Economic activity rose by 4.4% during 1998, but cooled to a rate of 2.5% in the first quarter of 1999. Growth has been accompanied by low inflation and falling unemployment. It is likely, however, that the economy will not grow as robustly in the year ahead. A combination of flat to falling tourism receipts and an under-performing agricultural sector will likely lead to a pronounced slowing of economic activity and flat foreign exchange earnings. Barbados has not yet signed a bilateral investment treaty with the United States, though the Government has indicated an interest in concluding such a treaty with the aim of encouraging more direct investment by U.S. nationals. Other than reductions on income tax rates for exporting manufacturers, there are no performance requirements or incentives in Barbados.

Arbitral Awards: A dispute between an American contractor and the Government of Barbados was successfully resolved through arbitration under the Multilateral Investment Guarantee Association. Currently, there are no known disputes pending.

The Protection of Intellectual Property Rights and Government Broadcast of Copyrighted Material: The Government of Barbados has stated its commitment to bringing its IPR protection into line with world standards by January 1, 2000. A new copyright act was adopted in August 1998. Legislation was approved in September 1998 to protect integrated circuits, topography, protection against unfair competition and geographical indications. The Patent, Trademark and Industrial Designs Acts are currently being revised to comply with world standards.

Belize

Population: 230,160
National Product Per capita: $3,000*
**National product: GDP -- purchasing power parity*
Source: 1998 Worldfact Book - CIA

Department of Commerce 1998 Trade Statistics
Imports from the United States: $120,000,000
Exports to the United States: $66,000,000
U.S. Trade Balance: + $54,000,000

Economy: Economic and social conditions in Belize generally surpass those of its neighbors in Central America and consequently serve as a magnet for impoverished, unskilled laborers who often toil as undocumented fruit pickers and sugar cane cutters. Belize's small essentially private enterprise economy is based on agriculture, commodity exports (sugar, bananas, citrus, timber and fish), agro-based industries such as concentrated juice production, aquaculture (i.e. shrimp farming) and merchandising. Agriculture is the leading foreign exchange earner with tourism a close second. Eco-tourism is considered a very promising enterprise. With very little manufacturing (there are hopes to spawn a furniture industry), Belize relies heavily on foreign trade and fixed quotas for its sugar and bananas. In 1998, the United States purchased 37.3% of Belizean exports and supplied 49% of its imports. The Government of Belize has substituted an 8% sales tax (12% on alcohol, cigarettes and petroleum) for a 15% value-added tax. It has initiated phased reductions in import duties and plans to remove all quantitative import restrictions. There are still moratoria on the importation of certain agricultural products.

Belize is an active member of CARICOM and has been reluctant to sign a bilateral open skies agreement with the United States for fear of alienating its CARICOM partners. Many import duties have been lowered to bring them into line with CARICOM's common external tariff. Belize supports CARICOM's proposals for a single market and economy.

In the meantime, Belize continues to seek markets for its agricultural products in Mexico and Central America. Belize is nevertheless wary of signing a formal trade agreement with Mexico, which it fears would swamp its economy with less expensive agricultural produce and NAFTA finished goods. Contraband from Mexico abounds; and Belizean consumers often travel across the border to Chetumal, Mexico to do their shopping. The Government estimates that in 1998 consumers spent as much as $150 million in Chetumal.

Nationalization/Expropriation: Belize has never nationalized or expropriated any foreign company. However, there have been several contentious cases where the previous government, under its right of eminent domain, appropriated land which belonged to private property owners, including many foreign investors. These appropriations were ostensibly made for public purposes, but several were uncovered as political payoffs. The current Government has strengthened the Ministry of Natural Resources and Environment to prevent abuses and made a good faith effort to settle claims. Nevertheless, although Belizean law requires that the Government assess and pay appropriate compensation based on fair market value, such compensation can often take years to settle.

The Protection of Intellectual Property Rights and Government Broadcast of Copyrighted Material: The Government ceased operation of its radio station in November 1990. It also closed the Belize Information Service, a partially Government-owned production company. To comply with its WTO obligation to ratify the WTO Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS), Belize must pass intellectual property rights legislation before year's end. Parliament is scheduled to begin drafting IPR legislation in September 1999.

Extradition: The 1972 U.S.-United Kingdom Treaty of Extradition was acceded to by Belize at independence in 1981 and remains in effect. However, the U.S. Embassy, in cooperation with the Department of Justice, continues to lobby Belize to sign a Bilateral Extradition Treaty.

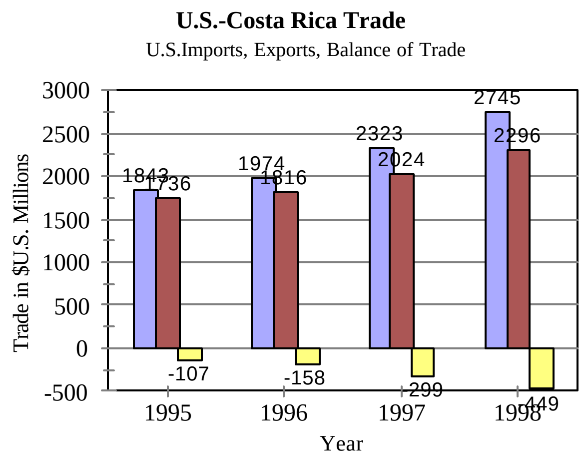
Use of Export Subsidies or Imposes Export Performance Requirements or Local Content Requirements which Distort International Trade: Belize has no direct export subsidies. However, after years of neglect, the banana industry continues to receive significant assistance, primarily from the United Kingdom and European Union. There are no export performance or local content rules. The Government of Belize has published an investment guide, which encourages foreign investors to consider joint ventures and local partnerships. The Government has established a special agency, Trade Investment Promotion Services (TIPS) to foster investment that is export-oriented, employs or trains local nationals and increases local technological capabilities.

Costa Rica

Population: 3,604,642
National Product Per capita: $5,500*

**National product: GDP -- purchasing power parity.*
Source: 1998 Worldfact Book - CIA

Department of Commerce
1998 Trade Statistics
Imports from the United States: $2,296,000,000
Exports to the United States: $2,745,000,000
U.S. Trade Balance:
- $449,000,000



Economy: Long dependent upon the export of bananas, coffee and other agricultural products, Costa Rica's economy is increasingly driven by tourism and exports of manufactured goods. In 1998, manufacturing contributed 21.7 percent of GDP compared to 17.9 percent for agriculture. The government has aggressively and successfully courted foreign investment by high technology industries. The most visible result is a major microprocessor assembly and testing plant opened by Intel in 1998. Approximately half of all trade is with the United States, which has also supplied the majority of foreign investment. The country enjoyed robust growth in 1998, but prospects for the future are constrained by a mushrooming, internally financed public sector debt. Growth is also constrained by inadequate investment in the transportation and communications infrastructure, which is mostly in the hands of public sector monopolies. Efforts to open these sectors to private investment are proceeding haltingly as the government attempts to build a political consensus for public sector reform.

Costa Rica emerged from recession during 1997. GDP growth for 1998, at 6.2 percent, was among the strongest in the hemisphere. Merchandise trade registered surpluses in each of the first three months of 1999, the first time in decades. Inflation was up slightly in 1998, to 12.4 percent compared to 11.2 percent the year before. Official unemployment declined to 5.6 percent from 5.7 percent a year earlier. Projections for 1999 suggest somewhat weaker growth, in the neighborhood of 5 percent, due largely to lower prices for bananas and coffee and to expected slower growth among Costa Rica's trading partners. Inflation for the first four months of 1999 was running at a 9.4 percent annual rate.

Nationalization/Expropriation: Over the past 30 years, the government expropriated large tracts of rural land for national parks, biological reserves and indigenous reservations. Although article 45 of the Costa Rican Constitution stipulates that no land can be expropriated from a property owner without prior payment and demonstrable proof of public interest, disputes frequently arose over title to the property and the amount of compensation.

On June 8, 1995, Law 7495 was enacted to ensure that expropriations would occur only after full and advance payment was made. The current and past governments have made considerable efforts to resolve several pending expropriation cases, but the process has been very slow. One high profile case was sent to the International Center for the Settlement of Disputes (ICSID) in 1995, following Costa Rica's accession to the Washington Convention. This process is nearing completion. Another case involving alleged expropriation was heard by a U.S. court, which dismissed it on jurisdictional grounds.

Extradition: The United States and Costa Rica are signatories to a bilateral extradition treaty dated December 4, 1982, which did not enter into force until October 11, 1991. On January 12, 1993, the treaty was declared "inapplicable" by the Constitutional Chamber of the Costa Rican Supreme Court, but this decision was subsequently reversed. Extraditions are currently proceeding under the treaty.

Worker Rights: Several worker rights issues have been explored in Costa Rica, but none has resulted in suspension of CBERA benefits.

In response to a 1993 AFL-CIO petition asking that Costa Rica lose benefits under the U.S. Generalized System of Preferences (GSP), the Costa Rican Government enacted legislation to prohibit Solidarity Associations from engaging in collective bargaining and to remove punishments for labor leaders involved in public sector strikes. (Solidarity Associations provide access to credit unions and savings plans with employer contributions in return for agreements by employees to avoid strikes and other types of confrontation.) The AFL-CIO withdrew its petition on condition that the Government enact other reforms, including approval of various International Labor Organization (ILO) conventions. While Costa Rica ratified eight ILO conventions (87, 98, 102, 122, 135, 138, 147, and 148), the Executive Branch withdrew another eight conventions (110, 140, 149, 151, 153, 154, and 155) from consideration by the Legislative Assembly. The ILO continues to receive complaints regarding unfair labor practices from Costa Rican unions. Such complaints generally center on insufficient protection of trade union activists and preferential treatment accorded Solidarity Associations. In June 1998, the Rerum Novarum Workers Confederation complained to the AFL-CIO about alleged Costa Rican Government non-compliance with commitments to protect worker rights. The organization, however, withdrew its complaint after the Rodriguez administration asked for a reasonable period to demonstrate its commitment to protecting worker rights.

Use of Export Subsidies or Imposes Export Performance Requirements or Local Content Requirements Which Distort International Trade: There are no performance or local content requirements on exports.

Most Costa Rican export incentives will be phased out by the end of September 1999. New applications for export incentives are no longer being accepted. Certificates of Increased Exports (CIEXEX) and Tax Credit Certificates (CATS), two incentives established under the 1972 Export Promotion Law, were found to be countervailable by the U.S. Department of Commerce. The government subsequently decided to eliminate them. "Export contracts," which provide substantial tax advantages, are also being phased out.

The Protection of Intellectual Property Rights and Government broadcast of copyrighted material: The International Intellectual Property Alliance and the Pharmaceutical Research and Manufacturers of America have filed petitions with USTR concerning lax copyright enforcement and inadequate patent protection, respectively. Costa Rica amended its copyright law in 1994 to strengthen sanctions against piracy (including the introduction of criminal penalties) and provide explicit protection of computer programs. In 1998, a new Code of Criminal Procedure was supposed to simplify the process of pursuing criminal charges against intellectual property violators, but it has not proven effective in practice due to a lack of resources. Video, audio, and business software piracy remains widespread.

Costa Rica has ratified the WTO Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS), giving it the force of law within Costa Rica, but it has yet to enact detailed implementing legislation. A committee has been established in the Legislative Assembly to produce this legislation by the end of 1999. (As a less developed nation, Costa Rica has five years, until January 1, 2000, to implement TRIPS).

The current Costa Rican patent system only provides protection for one year for pharmaceuticals, agricultural chemicals, and food products considered to be in the public interest. Excluded from patent protection are plant and animal varieties, biological and microbiological products and processes. The compulsory patent licensing regime may be modified by new legislation, which is in the drafting stage. The principal deficiencies in the patent law will be corrected when Costa Rica complies with its TRIPS obligations. Some Costa Rican and foreign biotechnology specialists are seeking changes to biodiversity and patent legislation to permit coverage of new products and processes in their field.

Trademarks are protected under the Central American Convention on Industrial Property. However, in practice counterfeiting is a problem, as is third-party registration of well-know marks not yet registered by the owners in Costa Rica. The absence of a use requirement makes it difficult for the true owner of the mark to cancel the unauthorized mark at any time.

The Costa Rican 1994 copyright law strongly prohibits the unauthorized broadcast of copyrighted materials and provides tough penalties for violations. However, initiation of action against violators generally requires the injured party to take legal action in Costa Rican courts.

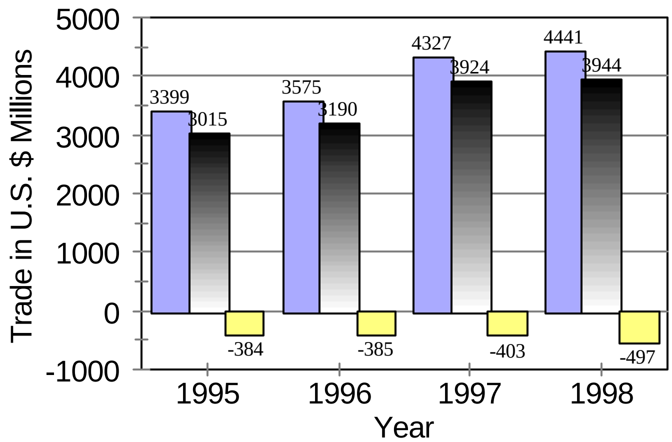
Limited progress has been made in recent years in reducing video piracy. Although local cable television operators have been completely legalized, some hotels continue to pirate U.S. satellite transmission signals.

Dominican Republic

Population: 7,998,766 (1998)
National Product Per capita : $4,700*
**National product: GDP -- purchasing power parity*
Source: 1998 Worldfact Book - CIA

U.S.-Dominican Republic Trade Figures

Imports, Exports, Balance of Trade



Department of Commerce 1998 Trade Statistics
Imports from the United States: $3,944,000,000
Exports to the United States: $4,441,000,000
U.S. Trade Balance: – $497,000,000

Economy: The Dominican economy continued its strong performance, growing 7.3% in 1998 despite the severe economic impact of Hurricane Georges. Telecommunications, construction, tourism and free trade zones were the principal growth sectors. Activity in the mining and agricultural sectors declined. Domestic industry is based largely on the processing of agricultural and mineral products, oil refining and chemicals.

Trade Policies: Tariffs on most products fell within a range of 5 - 35%, however, a 5 -80% selective consumption tax is imposed on “non-essential” imports. Consumption tax rates are based on a non-transparent “adjustment factor”, which has generated complaints from foreign importers. Virtually all Dominican tariffs are bound in the WTO at 40%. Seven agricultural commodities are exceptions with considerably higher tariffs. In 1998, the administration proposed an extensive tariff reduction to the Congress in connection with its plans to submit for ratification a free trade agreement negotiated with Central America, but Congress has not yet acted on the proposal. Free trade zones are exempt from most restrictions applied to other international trade.

Under President Leonel Fernandez, the Dominican Republic has become a leader in regional trade negotiation. He envisions a “Strategic Alliance” of the Caribbean and Central America, aimed at increasing the region’s leverage in trade talks, with the Dominican Republic as the bridge between the two areas.

Nationalization/Expropriation: Several citizens have land dispute with the Government involving expropriation without compensation of land by public enterprises or the Government itself, some of which have existed for many years. The disputes typically are with private citizens, who have few resources at their disposal to influence the Government, rather than large companies. Even when compensation has been ordered by a Dominican court or when the Government has recognized the claim, actual payment has been extremely difficult to obtain. Recognizing the attention this situation has attracted in Washington, the Government recently formed a commission headed by three senior officials to evaluate and settle the list of outstanding expropriation and trade disputes. As a result of the Commission's efforts, payments have been made on one of the most high-profile cases.

Arbitral Awards: The Government does not recognize the right of private firms to arbitration with the Government.

Reverse Preferences: The Government does not, in general, provide preferential treatment for products from countries other than the U.S. Dominican customs valuation procedures do not yet conform to WTO standards, although they are committed to bringing them into compliance in early 2000.

Worker Rights: The Dominican Labor Code grants workers the rights of association and of organizing and bargaining collectively, prohibits forced or compulsory labor, provides a minimum age for employment of children, provides the Government with the authority to set the minimum wage and overtime rates, and establishes a standard work period of 44 hours per week. The Labor Code applies in all free trade zones, where working conditions have improved significantly in the last few years. There have been no recent reports of anti-union abuses by free trade zone employers.

Working conditions in the agricultural sector, especially the sugar industry, are difficult, although the Government has eliminated some of the most egregious abuses of migrant Haitian workers. The Government has implemented a program to eliminate child labor in the agricultural sector.

Use of Export Subsidies or Imposes Performance Requirements or Local Content Requirements which Distort International Trade: The Dominican Republic has few export subsidies. Traditional products do not benefit from any fiscal exemptions or privileges and are taxed when destined for export.

However, the Dominican Dealers Act set out special provisions governing the relationship between foreign importers and local dealers, prohibiting foreign companies from terminating relationships with local dealers without "just cause." Foreign importers argue that the law is discriminatory, allows excessive mark-ups by local distributors and in practice makes it extremely difficult for foreign importers to terminate relationships with local distributors. The provisions of the Dealer's Act do not apply to the relationship between local manufacturers and their distributors. Thus many foreign firms argue that the act is discriminatory to importers of foreign goods.

The Protection of Intellectual Property Rights and Government Broadcast of Copyrighted Material: Protection of intellectual property rights has improved but remains inconsistent. Of special concern is the widespread piracy of video cassettes, audiotapes and software and patent violations by local pharmaceutical manufacturers. The Government has taken several steps to improve IPR protection in the last year, including the creation of an IPR unit in the Prosecutors Office, increased support for the effective but underfunded Copyright Office and enhanced enforcement of existing law. Current IPR law is not WTO-compliant. The Government intends to pass new legislation which will be WTO-consistent by the end of 1999. There are, however, some significant flaws in the draft legislation.

El Salvador

Population: 5,752,067 (1998)
National Product Per capita: $3,000*
**National product: GDP -- purchasing power parity*
Source:1998 Worldfact Book - CIA

Department of Commerce 1998 Trade Statistics
Imports from the United States: $1,514,000,000
Exports to the United States: $1,227,000,000
U.S. Trade Balance: + $76,000,000

Economy: After twelve years of civil war, El Salvador has settled into a period of solid economic growth with strong demand for imported consumer products. The U.S. remains its most important trading partner outside the Central American Common Market. The Government has engaged in an extensive trade liberalization and modernization program that includes substantial tariff reductions and the sale of key state-owned utilities. Already, the Government has sold its national telephone carrier and electricity distribution firms, with privatization of its thermal energy generation plants scheduled for July 1999 and airport and port concessions to follow soon thereafter. El Salvador has a world class investment law and signed a Bilateral Investment Treaty with the U.S. in March 1999.

El Salvador is a strong supporter of trade liberalization in the region and an active participant in the revitalized Central American Common Market. In conjunction with the so-called “Northern Triangle” – Guatemala, Honduras and El Salvador – it is currently negotiating a free trade agreement with Mexico.

Nationalization/Expropriation: There are no outstanding expropriation cases in El Salvador. El Salvador has signed a Bilateral Investment Treaty with the U.S. which will afford additional protections for investors in this area.

Worker Rights: El Salvador’s Labor Code (revised in 1994 with assistance from the International Labor Organization) is comprehensive and modern. In general, the Code provides an appropriate legal basis for the protection of internationally recognized worker rights. Although improving, the Ministry of Labor lacks the resources, personnel and professionalism to fully enforce the labor code.

In March 1999, the ILO Freedom of Association Committee found against the Salvadoran Government in a case involving several failed efforts to form a union and the firing of labor leaders of the national telephone company during its transition from a state-owned enterprise (named ANTEL) to a private company (named CTE) from August 1997 to March 1999. The Committee concluded that the Salvadoran Labor Code, and the manner in which the Ministry of Labor applied it, imposed a series of excessive formalities to union formation that "seriously infringes the principle of freedom of association." The Committee regretted the firing of labor leaders during the privatization process and emphasized that the change of ownership in a company "should not threaten unionized workers and their organizations."

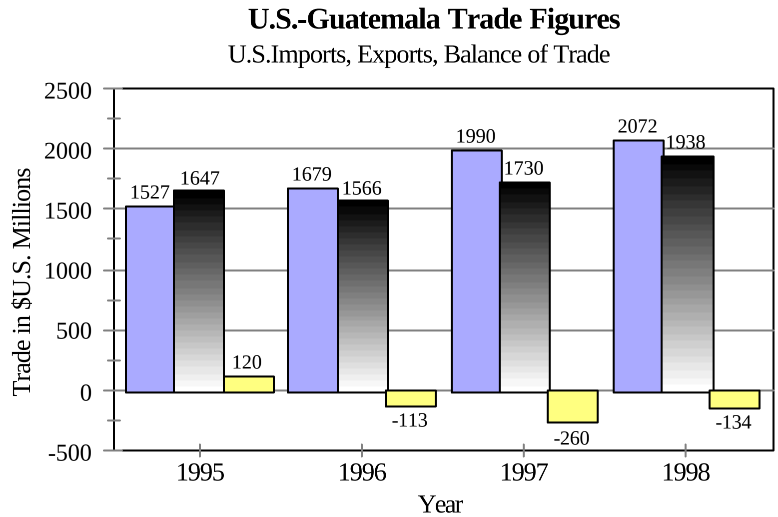
Labor protection covers all workers, including those in the free trade zone and other in-bond assembly production (the "maquila" sector). A law passed in 1996 grants the Salvadoran Government the power to take away import/export privileges from those maquila plants which violate worker rights provisions of the labor code. To date, this law has not been invoked. The vast majority of maquila plants (operating within or outside of free trade zones) are also subject to a growing number of codes of conduct which include worker rights protection. These codes of conduct are established by the parent company of plants, required by their customers and/or self-imposed. In 1998, the Salvadoran Association of the Assembly Industry (ASIC) instituted a voluntary code of conduct for its membership, which includes protection of internationally recognized workers rights.

The Protection of Intellectual Property Rights and Government Broadcast of Copyrighted Materials: El Salvador's current law protecting intellectual property rights took effect in October 1994. The 1994 law, together with El Salvador's acceptance of TRIPS discipline, addresses several key areas of weakness. Patent terms have been lengthened to 20 years and the definition of patentability has been broadened. Compulsory licensing applies only in cases of national emergency. Computer software is also protected, as are trade secrets. Trademarks, however, are still regulated by the Central American Convention for the Protection of Industrial Property. El Salvador has acceded to the Paris and Berne Conventions and was the first country in the hemisphere to adhere to the 1996 WIPO Copyright Treaty and the 1996 WIPO Phonograms Treaty.

Guatemala

Population: 12,007,580 (1998)
National Product Per capita GDP: $4,000*
**National product: GDP -- purchasing power parity.*
Source: 1998 Worldfact Book - CIA

Department of Commerce
1998 Trade Statistics
Imports from the United States:
$1,938,000,000
Exports to the United States:
$2,072,000,000
U.S. Trade Balance:
– $134,000,000



Economy: The Guatemalan economy depends largely on agricultural products including coffee, sugar and bananas as well as other, non-traditional products such as berries, snow peas and cut flowers. Non-agricultural sectors include tourism (second only to coffee as a source of foreign exchange) and textile assembly. Since the December 1996 peace accords ending the country's 36 year civil war, the government has continued to liberalize the economy and expand exports. In 1998, it privatized two large electricity distribution companies and the telephone company - and has assured competition in telephone services. In addition, a U.S. subsidiary was granted a concession to operate the country's defunct railroad and a Canadian firm, the postal service. Foreign trade increased nearly 40% from 1996 to 1998, but a growing trade deficit has put pressure on the exchange rate with inflationary implications for the economy as a whole. The United States remains Guatemala's largest trading partner, but Guatemala is, either bilaterally or in conjunction with other Central American countries, negotiating trade and investment treaties with Chile, Mexico and Panama. In 1998, economic growth was 4.7% despite the devastating effects of Tropical Storm Mitch. Foreign debt is low, as is official inflation.

Guatemala continues to have one of the most serious income and wealth disparities in the hemisphere. Three fourths of the population live in poverty and about 50-60 percent of the population is dependent on subsistence agriculture for survival. Official unemployment is low at 4.5%, but underemployment, reflecting a lack of skills and education, is widespread. As part of the peace accords, the Guatemalan government is committed to improving educational standards.

Nationalization/Expropriation: The government of Guatemala has taken no expropriation actions since the 1950s. The Guatemalan Constitution of 1985 guarantees prompt compensation for any expropriation and specifically prohibits confiscatory taxation.

Worker Rights: Major reforms were made to the labor code in December 1992 to bring it more closely into conformity with internationally recognized worker rights. The labor code protects the rights of association and to form a union, prohibits compulsory labor and requires governmental permission for child labor under age fourteen. Guatemalan labor code also requires proper work conditions and normal work hours, sets occupational health and safety regulations, and requires payment of minimum wage and various bonuses. Guatemala brought sanctions against one American-owned maquiladora for repeatedly violating the labor code, by withdrawal of operating licenses.

The Government of Guatemala is working with the U.S. Government to improve worker rights in the country. Government policy is to implement legislated reforms in the labor code and to ensure all workers, whether in export zones or industries for domestic consumption, enjoy the full exercise of internationally recognized worker rights. Serious impediments to this goal remain, most of which are a consequence of the government's limited financial and personnel resources and problems with the justice system. Many cases involving worker rights remain unresolved.

The AFL-CIO has filed a petition requesting GSP review of Guatemala every year this decade, and Guatemala's GSP status was officially under revision from 1991 until 1997. In May 1997, Guatemala was found to be taking steps to improve worker rights, resulting in a dramatic reduction in the intimidation of workers and their leaders.

The Guatemalan Government also developed administrative remedies, such as the suspension of export licenses and the withdrawal of various tax benefits and operating permits to deal with labor law violations. Procedures for the registration of labor unions have been simplified. The Labor Ministry has doubled the labor inspection corps and improved training. A series of pre-emptive inspections of work sites in rural areas has resulted in significantly higher levels of compliance with the minimum wage laws.

In 1998, the AFL-CIO and several NGOs-acting separately-filed petitions to review Guatemala's GSP status based on labor problems in the banana and maquiladora industries, the "criminalization" of labor unions and freedom of association issues. According to these organizations, Guatemala had not made substantial progress in improving worker rights. The Administration declined to accept these petitions. In June 1999, the U.S./Guatemala Labor Education Project (US/GLEP) filed a petition for GSP review stating lack of progress on the established benchmarks and new violations of workers' rights in the maquiladora sector.

Progress has occurred in several areas, such as resolution of labor disputes through mediation, more rapid registration of labor unions, and development of regulations to deal with labor law violations in the maquila sector. Remaining problems include dismissal of workers for trade union activities, failure to investigate acts of violence against trade union members, and slow resolution of labor complaints, particularly in the court system.

The Protection of Intellectual Property Rights and Government Broadcast of copyrighted material: Guatemala does not have either an adequate legal framework or adequate enforcement mechanisms to protect IPR holders. In 1999, USTR placed Guatemala on the priority watch list due to the continued inadequacy of its IPR regime. In particular, existing legislation views copyright infringement as a matter for "private" rather than "public" action. The Guatemalan government has yet to introduce legislation to meet its January 1, 2000 WTO TRIPS commitments, however it has agreed to undergo a voluntary WTO TRIPS Committee review of its IPR legislation in the latter half of 2000.

The right to copy, publish and distribute copyrighted material is clearly protected, but control over leasing or renting of protected works is not adequate. Despite Guatemalan membership in the Rome and Geneva Conventions, Guatemalan law does not generally protect sound recordings. Legislation enacted in 1996 extended copyright protection to computer data bases and software, but enforcement is left to private action and no prosecutions have been pursued. As a result, piracy remains widespread.

Current legislation provides inadequate protection for trade marks on clothing and other manufactured goods. Unauthorized use of U.S. brands both on products and sales outlets is commonplace. Draft legislation to provide improved IPR protection is pending in the Congress, but passage does not appear to be a Government priority.

Cable operators still broadcast unlicenced US-origin programming, under-report subscriptions, and have not audited subscriber lists as required by agreements reached with associations representing US content owners. Legislation was adopted in 1992, outlawing such re-transmission and creating a government enforcement entity. However, the entity has not been staffed or funded adequately. Efforts by the U.S. IPR holders to negotiate and implement agreements with cable owners, while initially successful, later ran into difficulties. Cable operators have formed an association to monitor and encourage compliance with IPR rules, but success has been limited. Enforcement mechanisms and penalties are weak, and an overburdened, poorly trained judiciary does not understand the issue.

Guatemala passed a new copyright law in March 1998 and some private businesses have used the provisions of this law to initiate civil actions against IPR violators. The Guatemalan government has established a TRIPS mailbox, as required by its adherence to the TRIPS agreement, and a number of applications -- primarily pharmaceuticals -- have been received.

Guyana

Population: 707,954 (1998)
National Product Per capita GDP: $2,500*
**National product: GDP -- purchasing power parity*
Source: 1998 Worldfact Book - CIA

Department of Commerce 1998 Trade Statistics
Imports from the United States: $146,000,000
Exports to the United States: $137,000,000
U.S. Trade Balance: + $9,000,000

Economy: Guyana has undertaken an Economic Recovery Plan in accordance with IMF recommendations. Fiscal policy has generally been conservative, although the public deficit spiked upwards to nearly 10% in 1997 due to unexpected economic problems and generous infrastructure spending in advance of the country-wide elections. A top priority for the government has been debt relief. The Paris Club and Highly Indebted Poor Countries (HIPC) initiatives have brought down Guyana's debt although debt payments remain high, relative to GDP. Guyana continues to make progress in its debt restructuring and structural adjustment efforts, which should strengthen Guyana's economy considerably in the medium term.

Several state-owned businesses have been offered for privatization and government calls for outside investment have become frequent. The government is still involved in approving various business ventures, frequently at the Cabinet level, because there is no clear investment code, which is badly needed to facilitate growth and investment. Prospective investors often experience long negotiation periods and delayed decision-making in an ad hoc process with limited transparency.

There is little evidence that Guyana has any interest in reciprocal free trade arrangements. It appears interested in bilateral investment treaties and the FTAA but does not participate actively in the process. According to the Ministry of Trade, Guyana supports NAFTA parity. Their first preference, however, would be strengthened CBERA without reciprocal agreements.

The Guyana leadership has said that the U.S. benefits from CBERA often at the expense of smaller countries. There is a fear that Guyana will be overwhelmed by more developed nations. This is compounded by Guyana's Lome commitments to give no more preferential treatment to other countries than is afforded to Lome member countries.

Nationalization/Expropriation: There are several cases involving U.S. firms and the Government of Guyana in which the government has forced firms to accept bonds in payment for equipment. These cases generally involve mining and energy concerns. They have not been settled to the satisfaction of the U.S. firms. The Government of Guyana has in effect expropriated property in that it will not make satisfactory payment.

Worker Rights: The right of association is provided for in the Constitution, which specifically enumerates a worker's right to "form or belong to trade unions."

Most union members work in the public sector and in state-owned enterprises. Organized labor in Guyana consists of one major national federation, the Guyana Trades Union Congress (TUC), and the rival Federation of Independent Trades Unions of Guyana (FITUG). There is a tradition of close ties between Guyana's trade union movement and political parties, particularly the former ruling party, the People's National Congress (PNC), which controlled the government (and thus public sector employment) for 28 years.

Workers have a generally recognized right to strike, although some recent cases of industrial action have resulted in widespread dismissals. Public employees providing essential services are normally forbidden to strike, but a procedure exists for the review of their grievances by a tribunal appointed by the Minister of Labor.

Unions and their federations freely maintain relations with recognized Caribbean and international trade union and professional groups. All three of the major international labor federations have affiliates in Guyana.

Public and private sector employees possess and utilize the generally accepted right to organize and to bargain collectively. The Labor Ministry certifies all collective bargaining agreements and has never refused to do so. This right is not codified, however, and employers are not legally required to recognize unions or bargain with them. The Constitution prohibits forced or compulsory labor, and there is no indication that it exists.

Intellectual Property Rights and Bilateral Investment Treaties: Guyana does not have a Bilateral Investment Treaty (BIT) or an Intellectual Property Rights Agreement (IPRA) with the United States. BIT negotiations have been entered into but IPRA talks have not yet begun. The most recent BIT discussions took place in October 1995. No date has been established for further negotiations, although the government has recently signaled its interest in renewing talks. Guyana has similar treaties with Germany and the United Kingdom.

A new copyright law is currently being drafted. Until local statutes governing the protection of intellectual property are revised, enforcement of intellectual property rights will remain weak.

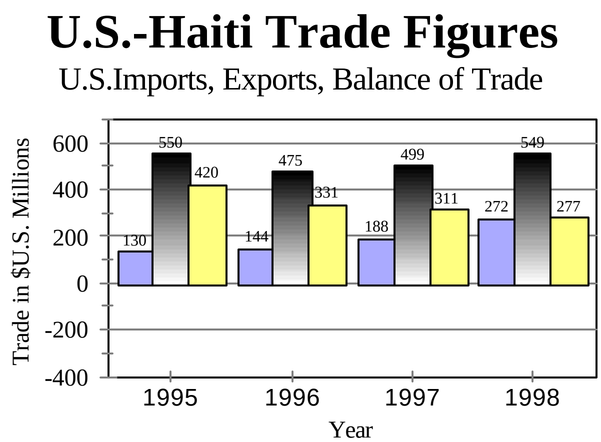
Use of Export Subsidies or Imposes Export Performance Requirements or Local Content Requirements Which Distort International Trade: Guyana does not use export subsidies or impose local content requirements. The Embassy reports the only real non-tariff barriers are an inefficient customs system and a lack of a clear investment policy. The ad hoc system for determining policy often creates delays, complication and confusion for those doing business in Guyana.

Self-Help Measures: Guyana is following a development plan outlined by the World Bank/IMF. It has taken some difficult but necessary steps in an austerity program and has addressed its critical debt problem by obtaining a 67% debt reduction by Paris Club creditors. Guyana is also privatizing several state-owned enterprises. Efforts are underway to expand the revenue base and improve tax collection. Areas that are not being addressed are trade and investment policy initiatives, atrophied public service, intellectual property rights and free trade initiatives beyond CARICOM.

Haiti

Population:6,780,501 (1998)
National Product Per capita: $1,070*
**National product: GDP -- purchasing power parity.*
Source: 1998 Worldfact Book - CIA

Department of Commerce
1998 Trade Statistics
Imports from the United States: $549,000,000
Exports to the United States: $272,000,000
U.S. Trade Balance:
 + $277,000,000



Economy: Haiti is the poorest country in the Western Hemisphere, with a 1998 per capita GDP of $348 (the above figure represents purchasing power parity rather than GDP divided by population; the latter yields a GDP per capita of $348). Haiti has weak socioeconomic structures and an unemployment rate of 65%. Haiti is still recovering from the economic effects of the three-year embargo. Exports in the assembly sector and non-traditional agriculture such as coffee and mango exports under CBERA are some of the only growth sectors in the economy.

Haiti has committed itself to a program of privatization and civil service reform. As of mid-1999, the government has privatized the state-owned flour mill and cement factory, with privatization of the telephone company, seaport, airport, and electric company scheduled to follow. Haiti lacked a Prime Minister during an 18-month period in 1997 and 1998, which delayed privatization effort significantly.

Worker Rights: Haiti's 1961 labor code was officially amended and ratified in 1984 to comply with standards established by the International Labor Organization (ILO). The most recent ILO report says that the government of Haiti has not sent any reports for the last few years. The organization does not have any cases outstanding against Haiti. There are no designated free zones in Haiti.

The constitution and the labor code provide for the right of association. Workers, including those in the public and private sector, have the right to form and join unions without prior government authorization. The Labor Code protects the right of trade unions to organize freely and those who interfere with such activities may be fined. The minimum employment age for minors in all sectors is 15 years. Fierce adult competition for jobs ensures that child labor is not a factor in the industrial sector. Enforcement of child labor laws is the responsibility of the Minister of Social Affairs, but has been criticized by the International Labor Organization as inadequate.

The Government of Haiti established a tripartite committee in 1994, composed of labor representatives, management and government. The committee is charged with investigations of labor-related issues and drawing up modifications to the Labor Code. Haiti's assembly industry has been the focus of international scrutiny for several years. The Ministry of Social Affairs has examined the industry and international organizations have investigated reports of sub-standard labor conditions. The U.S. Embassy has received no reports of significant labor code violations or widespread abuses.

The Protection of Intellectual Property Rights and Government broadcast of copyrighted material. Tele-national d'Haiti and Radio National d' Haiti have on occasion broadcast copyrighted material without the express consent of the copyright holder. While major sporting events are sometimes acquired through legal means, feature films and other television and radio broadcasts are sometimes pirated. Off cable channels use materials replayed from homemade videos. There is a general lack of knowledge about IPR in Haiti. In 1995 the Haitian government eliminated the Ministry of Information. The responsibility for media oversight now rests with the Ministry of Culture. Copyright issues are the domain of the director of the National Library.

The Haitian Constitution recognizes certain intellectual property rights. Article 38 provides that scientific, literary and artistic properties are protected by law. Haiti is a signatory to the Buenos Aries Convention of 1910, the Paris Convention of 1883 with regard to patents, and the Madrid Agreement with regard to trademarks. Haiti's patent law dates from 1922. Its trademark law is the law of July 17, 1954, as modified by decrees in 1956, 1960 and 1970. Haitian law provides penalties for infringement, fraud and unfair competition, with equal treatment accorded to foreign nationals. Haitian law also protects copyrights and inventions as long as they are legally filed with the Ministry of the Interior and National Defense (copyrights) or patented by the Department of Commerce (inventions, designs and models). Any manufacturer, businessperson, merchant, or company is entitled to register a trademark for its product.

Poor enforcement significantly erodes protection offered by IPR legislation. Moreover, Haiti's weak judicial system makes it difficult to obtain remedy in cases of copyright infringement.

Honduras

Population: 5,861,955 (1998)
National Product Per capita:$2,200*
**National product: GDP -- purchasing power parity*
Source:1998 Worldfact Book - CIA

Department of Commerce 1995 Trade Statistics
Imports from the United States: $1,412,000,000
Exports to the United States: $1,379,000,000
U.S. Trade Balance: + $33,000,000

Economy: The Honduran economy was severely affected by Hurricane Mitch, which struck the country in late October 1998. Investment and non-traditional exports were among the sectors that suffered major damage. However, the apparel assembly plants (maquilas), the prime beneficiaries of CBERA benefits, suffered relatively little damage from Hurricane Mitch. Losses, including key sectors such as agriculture, industry and infrastructure amount to an estimated $3 billion, which accounts for about 70% of GDP. According to some estimates, reconstruction at current prices exceeds $5 billion. GDP is expected to fall 2-3% in 1999, exports to decrease about 10%, public current income to be reduced by about $200 million, and per capita GDP to contract by 2.3 percent. Per capita income in 1999, at $791, remains one of the lowest in the western hemisphere. Inflation in 1999 is expected to reach 12-13%, down slightly from the 15.7% registered in 1998. The Government of Honduras estimates that the country will not reach the levels of economic development registered in 1998 until 2001.

The U.S.. is by far Honduras' largest trading partner, accounting for 50% of the country's foreign trade. As of July 1999, U.S. investors accounted for an estimated $750 million, about 75% of total foreign direct investment in Honduras. At least $536 million of that amount was a direct result of CBERA benefits in the maquila sector. Honduras now ranks first in apparel production in Central America, second among CBI countries and fifth in the world. Other sectors geared to take advantage of CBERA benefits include shrimp, melons, and exotic fruits and vegetables. There is significant U.S. investment in the banana sector, and there has been a substantial increase in the number of U.S. franchise operations in recent years as well.

The ratification of the 1992 investment law, the establishment of free trade zones, low labor costs and the reduction of trade barriers have made Honduras increasingly attractive to investors. The 1992 investment law guarantees national treatment to all foreign private firms in Honduras, with only a few exceptions. The law does not limit foreign ownership of businesses, except for those specifically reserved for Honduran investors, i.e., small firms with capital of less than $11,000. In addition, foreign investors are required to act through a local agent (which must be, by law, 51% Honduran-owned) to participate in public tenders. Majority

Honduran ownership is required by law in certain sectors, such as local transportation, commercial fishing, those areas benefitting directly from the national agrarian reform law, and insurance companies. Although there is a clear preference on the part of the Government of Honduras for new foreign investment in export industries, there are no officially mandated requirements that foreign investors must satisfy as a condition for investing in Honduras. Privately-operated industrial parks must generate 5,000 new jobs within five years of start up, but this applies to all owners, both foreign and national.

On July 1, 1995, Honduras and the U.S. signed a Bilateral Investment Treaty (BIT) at the Hemispheric Trade Ministerial in Denver, Colorado. This treaty has been ratified by the Honduran congress; ratification by the U.S. senate is still pending. Provisions for bilateral investment are included in the commercial treaties Honduras has signed with Costa Rica, El Salvador, Guatemala, Panama, and the Dominican Republic. In addition, Honduras, Guatemala and El Salvador (the northern triangle), are in the final stages of negotiating free trade agreements with Mexico and the Dominican republic. The agreement is expected to include investment provisions. In 1993, Honduras signed bilateral investment agreements with Great Britain and Spain. Central American countries are negotiating free trade agreements with Chile and Panama and exploring negotiations with the Andean community and Taiwan.

Arbitral awards: over 100 property disputes involving U.S. citizens, especially in the Bay Islands and along the north coast, have been registered with the U.S. Embassy. The cases are at many different levels of settlement within the Honduran judicial system. The Embassy is aware of seven cases involving possible expropriation claims by U.S. citizens. All involve the Honduran National Agrarian Institute (INA), are complex in nature, long-standing and involve invasions by squatters. The Government of Honduras clearly accepts its responsibilities with respect to indemnifying property owners; however, timely compensation was not received in one of these cases, and only came about through embassy intervention.

The Honduran legal system is slow and generally unsatisfactory. U.S. investors are strongly encouraged to hire competent Honduran legal counsel before taking any significant steps toward investing or otherwise doing business in Honduras. When entering into contracts, investors may wish to discuss with their lawyer the possibility of including language providing for arbitration or other forms of alternative dispute resolution. Honduras is a member of the International Center for the Settlement of Investment Disputes (ICSID). The Honduran congress is expected to pass this year a new criminal procedures code. It will change the Honduran judicial system from a written inquisitorial system to a more open and transparent oral-adversarial system, similar to that in the united states. The United States Agency for International Development (USAID) and other organizations are providing technical support for the change.

Worker rights: Union officials remain critical of what they perceive as inadequate enforcement by the Ministry of Labor (MOL) of workers' rights, particularly the right to form a union. In November 1995, the MOL signed a memorandum of understanding with the U.S. Trade Representative to implement 11 recommendations for enforcement of the Honduran labor code and the resolution of disputes. The MOL has progress in implementing several of these recommendations, particularly as they relate to inspection and monitoring of maquilas. Through cooperation within the Tripartite Commission (unions, MOL, the

Maquiladora Association), the number of unannounced and repeat visits to maquilas by inspectors from the MOL has increased, improving the MOL's effectiveness in enforcing worker rights and child labor laws.

Since May 1996, the number of strikes and work stoppages in manufacturing plants in Honduras has dropped by more than one-third, most notably in the maquiladora industry. The Honduran Maquiladora Association sponsored several meetings between its membership and major labor organizations, culminating in the signing in July 1998 of a Code of Conduct for the Maquiladora Association and its constituent companies. As a result, tensions continue to decline and enforcement of the Labor Code by the MOL has shown significant improvements.

Intellectual property rights: Protection of intellectual property rights (IPR) is handled by the Ministry of Industry and Trade. In 1994, following the passage in 1993 of modern IPR legislation by the Honduran congress, the Ministry set up an office to handle the registration of patents, trademarks and copyrights, as well as any complaints regarding their infringement.

In 1998, Honduras was placed on USTR’s Special 301 Annual Review’s 'Watch List'. A report prepared by the International Intellectual Property Alliance (IIPA) estimated that copyright infringements in Honduras cost U.S. firms $ 8.3 million in 1997. There is widespread piracy of many forms of copyrighted works, including movies, sound recordings, software. The illegitimate registration of well-known trademarks has also been a problem. Honduras saw a portion of its trade preferences under the Generalized System of Preferences (GSP) and the Caribbean Basin Initiative (CBI) suspended on April 20, 1998 because of its failure to control broadcast television piracy. However, these benefits were restored on June 30, 1998 following governmental action to suspend and fine the offending stations.

In December 1998, the Government reaffirmed its commitment to comply with the Trade Related Aspects of Intellectual Property Rights (TRIPS) agreement by the January 1, 2000 deadline. The U.S. and Honduras initialed a Bilateral IPR Agreement in March 1999, with signing expected to take place during the course of the year. A TRIPS-compliant reformed copyright law should be presented to congress before the end of 1999.

Export subsidies/export performance requirements/local content requirements which distort international trade: Honduras does not use direct export subsidies that distort international trade. Honduras imposes no local content requirements on exports. The only export performance requirement the government imposes is levied on exporters who receive benefits under the country's temporary import law, which includes duty-free importation of equipment and materials and a ten-year income tax holiday. With the 1997 reform of the temporary import law, benefitting exporters are now allowed to export their products to other Central American countries. Export Processing Zones (EPZs) must generate at least 5,000 new permanent jobs within five years after start up.

In addition, firms that operate under this regime must comply with all Honduran labor and social security laws. While firms that operate in these zones pay no income taxes and enjoy free repatriation of profits, they are now required to purchase the lempiras needed for their local operations from Honduran commercial banks or from foreign exchange trading houses registered with the Honduran Central Bank. In the past, they were allowed to obtain those funds on the open market.

Self-help measures: With an approved 1999 budget of $1.4 billion, the government of Honduras will direct its efforts to achieving the objectives contained in the national reconstruction master plan for the period 1999-2001. Spending will be focused on economic, social and productive infrastructure construction projects, sustainable economic development, human development, and poverty reduction. Projected total expenditures by the government for 1999 are expected to increase by 28% over 1998. Best prospects for foreign investment during 1999 will include the health sector, public works, and agriculture. The management of international airports, the telephone company, and the electricity distribution system are scheduled to be privatized within the next two years.

Jamaica

Population: 2,634,678 (1998)
National Product Per capita: $3,660*
**National product: GDP -- purchasing power parity*
Source: 1998 Worldfact Book - CIA

Department of Commerce 1995 Trade Statistics
Imports from the United States: $1,554,000,000
Exports to the United States: $814,000,000
U.S. Trade Balance: + $740,000,000

Economy: Key sectors in the Jamaican economy are bauxite (alumina and bauxite account for more than half of exports) and tourism. In 1998, GDP declined by 0.7% percent. This was the third consecutive year of contraction in real output following a -2.1% and -1.4% decline in 1997 and 1996 respectively.
The government's tight monetary policy has succeeded in reducing inflation to 0.6% for the period January-May 1999. Interest rates have continued to decline since the beginning of 1997 but still remain high -- 39% is the average lending rate. The Jamaican currency moved from an average weighted rate of JDOLS 36.68/$1 in 1998 to JDOLS 39.0/$1 in July 1999. Net international reserves were $579.3 million in March 1999.

Jamaica sees itself as a leader within Caribbean Community (CARICOM). It chairs the Free Trade Area of the Americas Consultative Group on Smaller Economies. Jamaica has been a vocal advocate of NAFTA parity for itself and the region. It feels that CBERA benefits helped Jamaica develop one of its largest non-traditional export industries, garment production, which has started to contract due to severe competition. The Government of Jamaica is concerned that it will lose this industry to Mexico if it does not get NAFTA parity.

*Worker Rights***:** Labor laws apply to Jamaica's free trade zone just as they do to the rest of Jamaica.

The Protection of Intellectual Property Rights and Government broadcast of copyrighted material: In June 1999, Jamaica's Parliament passed a new Trade Marks Act, Layout-Designs (Topographies) Act as well as a bill to amend the Copyright Act. All three have been enacted in fulfillment of Jamaica's obligations under the United States/Jamaican Intellectual Property Rights Agreement and WTO standards. News broadcast licensing laws and regulations are in place to control radio and television broadcasters and providers of subscriber cable service. While the legislative framework is improving, enforcement remains weak.

USAID Programs: USAID is working with the USDA's Animal Plant Health Inspection Service (APHIS) to help Jamaica improve its phytosanitary services to protect their agricultural production and exports from pests and pathogens. Training and technical assistance are being provided to plant protection and quarantine inspectors. The pre-clearance program became self-sustaining in October 1996. The USDA has full-time representation in Jamaica, helping to open up the U.S. market to non-traditional agricultural products.

Trade under the CBERA: As a result of the completed USAID Agricultural Export Services Project, 1.5 million boxes of produce, including yams, papaya, taro and scotch bonnet peppers, were cleared for U.S. entry in 1998. The program started in 1984 with the clearance of 1,000 boxes. At that time, eleven different types of produce were allowed into the U.S. Today, that number has grown to forty-eight. The program is currently carried by the Jamaican Exporters Association (JEA) which, in conjunction with USDA, is responsible for the technical aspects of the program. JEA ensures that exporters understand and are able to comply with proper U.S. grading standards and packaging requirements. Another USAID project component has assisted in identification of potential U.S. markets. Advanced entomology training was provided for two Ministry of Agriculture entomologists. Jamaican trained staff also worked at U.S. ports of entry to enhance their appreciation for U.S. practices.

Nicaragua

Population: 4,583,379 (1998)
Per capita GDP: $2,100*
**National product: GDP -- purchasing power parity*
Source: 1998 Worldfact Book - CIA

Department of Commerce 1995 Trade Statistics
Imports from the United States: $284,000,000
Exports to the United States: $222,000,000
U.S. Trade Balance: + $62,000,000

*Economy***:** Nicaragua has made progress since 1990 in consolidating democratic institutions and in fostering economic growth. Arnoldo Aleman became Nicaragua's president in January 1997. The two largest political forces in the National Assembly are the pro-government Liberal Alliance and the Sandinista front (FSLN). The Government has generally been able to get its initiatives through the Assembly with the support of several of the smaller parties.

Nicaragua's economy grew by 4.0% in 1998, down from 5.0% in 1997, reflecting the damage caused by Hurricane Mitch in October 1998. For 1999, estimates for real GDP growth range from 5.0-6.3% (the higher figure is the government's estimate). This robust growth is being led by commerce, services, agriculture, and construction -- residential, commercial and public. Nevertheless, Nicaragua's GDP is only $2.1 billion and per capita GDP is an estimated $441, the second lowest in the Western Hemisphere. In March 1998, the International Monetary Fund approved an Enhanced Structural Adjustment Facility for Nicaragua. As part of the IMF program, the Nicaraguan government agreed to implement an aggressive policy directed at cutting the government fiscal deficit, implementing structural reforms, and maintaining overall monetary stability. International support for Nicaragua in the aftermath of Hurricane Mitch has been significant.

At the Consultative Group meeting in Stockholm in May 1999, donor countries pledged $9 billion for Central American reconstruction, $2.5 billion of which is earmarked for Nicaragua. The United States and other donor countries in the Paris Club also deferred Nicaragua's debt payments until early 2001. With a foreign debt of more than $6 billion, Nicaragua has one of the highest per capita debts in the world. Nicaragua -- by continuing to maintain its IMF program targets -- seeks significant debt forgiveness in 1999 through the Highly Indebted Poor Country (HIPC) initiative.

The U.S. remains Nicaragua's largest trading partner by far. Two-way trade in 1998 totaled $790 million (of which $453 million were Nicaraguan exports to the U.S. and $337 million were U.S. exports to Nicaragua). These figures have risen steadily in recent years and are expected to continue to do so. Nicaraguan consumers maintain a decided bias in favor of American products and U.S.-style services. Emblematic of this bias were the openings over the last year of several McDonald's and a TGI Friday's.

Nicaragua is essentially an agricultural country with a small manufacturing base. It is dependent on imports for most manufactured, processed, and consumer items. In recent years the government has liberalized the foreign trade regime, sharply reduced tariffs, and eliminated most non-tariff barriers and foreign exchange controls. The Aleman government is firmly committed to taking further market-opening measures. As proof of that commitment, in 1999 the National Assembly passed an amendment to the "Ley de Justicia Tributaria" (Tax Justice Law), which will provide additional tax reductions. The National Assembly also enacted further legislation implementing the consumer protection law.

*Nationalization/Expropriation***:** More than 600 U.S. citizens have filed property claims for confiscations, which took place during the Sandinista era, before the current government took office. An administrative mechanism to resolve property claims is in place, but the process to either return properties to their original owners, or provide compensation in the form of government bonds has been slow. Since 1990, the Government of Nicaragua resolved over 2,500 U.S. property claims to the satisfaction of U.S. claimants.

About 900 claims remain outstanding. Nicaragua ratified the U.S.-Nicaragua Bilateral Investment Treaty on June 26, 1996, providing enhanced protection for future U.S. investments. Nicaragua is also a party to ICSID.

Worker Rights: Nicaragua's labor force, estimated at 1.63 million workers, is rural-based and largely unskilled. Forty-three percent of the employed population is working in the agricultural sector, 13 percent in manufacturing, and 44 percent in services. In 1998, the Government estimated an unemployment rate of 13.2% and a combined unemployment and underemployment rate of 25.3%. Nicaragua has the lowest population density in Central America. There is a shortage of skilled technicians and managerial personnel, although this is improving as members of the business and professional classes return from exile.

Nicaragua has a Labor Code, which government inspectors back. However, enforcement is largely limited to the formal sector, which includes the free trade zones. The high unemployment rate has eroded the strength of the trade union movement. Approximately one-third of the unionized labor force belongs to the National Labor Federation (FNT), a FSLN (opposition) -affiliated umbrella organization. Workers may freely exercise their right to strike. Under the Labor Code, workers may strike only after exhausting other methods of dispute resolution, including mediation by the Ministry of Labor. Despite the code's provisions for streamlining the mediation process, some unions ignore them when initiating a strike. The Labor Code requires employers to obtain approval from the Ministry of Labor before firing employees. Employers who sidestep this provision may be forced to reinstate the fired employees. Approval to lay off employees is usually granted by the Ministry, but may take some time.

Protection of Intellectual Property Rights and Government broadcast of copyrighted material: Protection of rights for both tangible and intangible (intellectual) property is inadequate in Nicaragua. However, the government signed a bilateral agreement on intellectual property protection with the U.S. in early 1998 and is working to improve domestic legislation. New copyright legislation was passed July 5, 1999, which will greatly strengthen copyright protection once the law is published in the official government gazette. Penalties will be phased in over a 12-month period.

Several other laws are under consideration which would greatly improve the legal framework for intellectual property protection. The National Assembly is considering laws to protect developers of new plant varieties and information sent by satellite and other signal carriers. The government is working on laws to protect integrated circuit designs and well-known trademarks. An updated patent law is also being reviewed before being sent to the national assembly.

Bilateral Agreements: On January 7, 1998 Nicaragua signed a bilateral intellectual property rights agreement with the United States--the first such agreement in Central America and the fourth in the hemisphere. The agreement covers copyrights, patents, trademarks, semiconductor layout designs, encrypted program-carrying satellite signals, trade secrets, and industrial designs. The agreement addresses criminal and civil penalties for infractions and provides a level of protection which exceeds Nicaragua's commitments in the World Trade Organization's Agreement on Trade-Related Aspects of Intellectual Property Rights

(TRIPS). The agreement calls for full implementation by mid-1999. In 1998, Nicaragua also signed a Free Trade Agreement with Mexico, which includes some protection for intellectual property rights.

Patents: Nicaragua's patent law dates from 1899 and fails to meet international standards for term of protection and for subject matter subject to patentability. Protection is limited by short patent terms (10 years). In February 1996, the National Assembly ratified the Paris Convention for the Protection of Industrial Property. In April 1997, Nicaragua approved the technical part of the Central American Convention on Industrial Property (inventions and industrial designs), although this has not yet come into effect. The Government recently updated a draft patent law, but has not sent it to the Assembly. The Government recently submitted to the National Assembly a draft law for the protection of plant varieties, which it needs to subscribe to the Convention of the International Union for the Protection of New Varieties of Plants (UPOV, 1978).

Copyrights: Copyright protection dates from the 1904 Civil Code and is deficient in many respects, most particularly in protection of new forms, including video and sound recordings, software and databases. There is piracy of video and sound recordings, U.S. satellite signals and broadcast theft. In July 1999, the National Assembly passed copyright legislation that will greatly strengthen copyright protection once the law takes effect upon publication in the official government gazette. Penalties will be phased in over a 12-month period. A complementary law on television programming carriers is in committee and should be considered by the Assembly soon. Nicaragua is a signatory to the following copyright conventions:

Mexico Convention on Literary and Artistic Copyrights (1902)
Buenos Aires Convention on Literary and Artistic Copyrights (1910)
Inter-American Copyright Convention (1946)
Universal Copyright Convention (Geneva 1952 and Paris 1971)
Brussels Satellite Convention (1974)

Panama

Population: 2,631,000 (1995)
National product per capita: $4,670*
**National product: GDP -- purchasing power parity*
Source: 1995 Worldfact book - cia

Department of commerce 1995 trade statistics
Imports from the united states: $1,350,000,000
Exports to the united states: $300,000,000
U.S. trade balance: + $1,050,000,000

Economy: Panama's economy is service-based, heavily weighted toward transportation, banking, commerce and tourism. Trade and financial ties with the United States are close. Since 1995, the transportation sector has become increasingly important, reflecting the success of Stevedoring Services of America's investment in Manzanillo International Terminals. Starting from a brown field plot in 1993, MIT can expect to make nearly 1,000,000 twenty-foot-equivalent container moves in the year 2000, with continued growth thereafter.

MIT's success has attracted competitors such as Evergreen Line's Colon Container Terminals, Hutchison Whampoa's Panama Ports Company in Cristobal and Balboa and Kawasaki in the Colon Free Zone. Ancillary services are also developing around the ports including Kansas City Southern's investment in the Panama Canal Railroad, which will provide a modernized coast-to-coast link. These major investments have been complemented by Cable and Wireless' investment in the local telephone monopoly ($1+ billion). Bell South's cellular investments ($100 million) and $600 million in investment in the power sector.

While recent privatizations have been handled in a transparent fashion, the privatization of the ports of Cristobal and Balboa under the Perez Balladares Administration followed a less than transparent course which raised questions on the probity of the process.

Tariffs are currently at their lowest level in recent history – and among the lowest in the region. President-elect Moscoso, however, has promised to increase tariff protection of the agricultural sector.
The budget ran a deficit of about 2% of GDP in 1998, undoubtedly reflecting the political budgetary cycle – i.e. the tendency to higher expenditures during election years. Panama has been able to stay in good standing in international capital markets through 1998, with its debt trading at reasonable rates compared to most Latin American sovereign issues.

Worker Rights: In January 1996, the Government issued a cabinet decree limiting a broad range of labor rights, including the right to strike and bargain collectively in the Export Processing Zones (EPZs). Following substantial domestic and international pressure, a second decree was issued in February 1996 restoring many workers rights. However, the second decree provided for collective bargaining with "representatives of employees" without specific mention of trade unions. It also required mandatory arbitration of disputes and allowed for the participation of an unrepresentative worker delegate in the Tripartite Arbitration Commission (government, labor and industry). In addition, firms operating in EPZs are exempt from paying certain compensations due workers laid off from firms in the general Panamanian labor market.

A January 1997 decree further changed EPZ labor regulations, stipulating that a strike can be considered legal only after 36 workdays of conciliation are exhausted. If this requirement is not met, striking workers can be fined or fired. The ILO noted that the January 1997 regulations do not mention arbitration or specify procedures to resolve disputes in court. The ILO ruling stated that the Government should amend EPZ labor regulations to conform with international norms.

Protection of Intellectual Property: Protection of intellectual property in Panama has improved significantly over the past several years, but serious concerns remain. The 10th Prosecutor's Office in Panama City has been vigorous in enforcing the 1994 Copyright Law. Throughout 1997 and 1998, it broke up several large-scale video piracy operations, and in September 1998 seized 5 million pirated compact discs being transshipped through Tocumen International Airport. Numerous raids against businesses accused of using unlicenced software have resulted in out-of-court settlements; the Business Software Alliance estimates that up to 70% of software in use in Panama is pirated.

The 1995 Industrial Property Law mandated the creation of an inter-institutional commission, with representatives of six government agencies, to oversee IPR policy and coordinate enforcement efforts. It also required the Customs Directorate and the Colon Free Zone (CFZ) Administration to establish Intellectual Property Departments. Enforcement in the CFZ has improved significantly since the March 1998 creation of the IP Department, with numerous raids and seizures of counterfeit merchandise and suspension of the operating permits of some offending CFZ companies. Nevertheless, transshipment of infringing merchandise through the CFZ remains a serious problem.

In 1995, Nintendo of America and associated video game manufacturers filed a GSP petition against Panama for its failure to provide adequate and effective enforcement of IPR.

However, USTR dismissed the petition in October 1998, citing improvement in Panama's IPR regime. Panama was placed on the Special 301 Watch List in April 1997, but moved to the Other Observations category as a result of an out-of-cycle review later that same year. In the April 1999 Special 301 Review, Panama was not listed in any category.

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Trinidad and Tobago

Population: 1,271,159
National product per capita: $11,280*
**National product: GDP -- purchasing power parity*
Source: 1995 Worldfact book - cia

Department of Commerce 1995 trade statistics
Imports from the united states: $722,000,000
Exports to the united states: $1,010,000,000
U.s. trade balance: (- $288,000,000)

Economy: Trinidad and Tobago has successfully recovered from over a decade of economic decline. The Government of Prime Minister Basdeo Panday is pursuing an economic strategy based on fiscal and monetary discipline, private sector investment and export-led growth. Trinidad and Tobago has aggressively and successfully courted foreign investors, eliminated almost all investment barriers and initialed a Bilateral Investment Treaty with the U.S. which came into force on December 26, 1996. Reduced subsidies to state-owned enterprises have contributed to fiscal soundness and lent credibility to the government's ongoing divestment program. Although structural reforms have begun to stimulate growth in non-hydrocarbon sectors, overall economic prospects remain closely tied to oil, gas and petrochemical prices and production. Trinidad and Tobago companies are important employers in a number of other CBERA beneficiary countries.

The Protection of Intellectual Property Rights and Government Broadcast of Copyrighted Material: Trinidad and Tobago signed a Bilateral Intellectual Property Rights (IPR) Agreement with the U.S. in 1994 and made a commitment under the WTO TRIPS agreement. Trinidad and Tobago is a member of the World Intellectual Property Organization (WIPO) and the International Union for the Protection of Industrial Property. In addition to being a signatory on numerous IPR conventions, Trinidad and Tobago recently signed the 1978 UPOV Convention for the Protection of New Varieties of Plants and the Trademark Law Society. Furthermore, the Government passed a Patents Act and a new Trademark Amendment Act. Enforcement remains an issue, especially regarding pirated video and audio cassettes and the unlicenced use of television and cable signals. The Government has pledged to crack down on IPR infringement and has increased its enforcement activity.

4. *Use of export subsidies or imposes of export performance requirements or local content requirements which distort international trade*: The Bilateral Investment Treaty (BIT) with the United States prohibits performance requirements as a condition for investment. Despite this, Trinidad and Tobago strongly encourages, through negotiable incentives, projects that generate employment and foreign exchange; provide training and/or technology transfer; boost exports or reduce imports; have local content; and generally contribute to the welfare of the country.

The government does not directly subsidize exports, but does offer incentives to manufacturers operating in free zones to encourage foreign and domestic investors.

Other CBERA Beneficiaries

Country	Population	National Product Per capita
Aruba	68,325	$21,000*
British Virgin Islands	18,705	$11,000*
Dominica	65,777	$2,500*
Grenada	96,217	$3,200*
Montserrat	12,828	$5,000*
Netherland Antilles	205,693	$11,500*
St. Kitts and Nevis	42,291	$5,700*
St. Lucia	152,335	$3,800*
St. Vincent and the Grenadines	119,818	$2,200*

**National product: GDP -- purchasing power parity*
Source: CIA The World Factbook 1998

Economy: This group of countries comprises the Caribbean island-nations of Dominica, Grenada, Montserrat, St. Kitts and Nevis, Saint Lucia, and St. Vincent and the Grenadines. These countries have small economies that rely primarily on tourism, a few light industries, and exports of agricultural products. We have very little information about the trade policies of these smaller CBERA beneficiaries.

Some of these countries have low per-capita incomes. Small size, high shipping costs, and a lack of natural resources pose severe constraints to development strategies. The possible end to the European Union banana regime will have an effect on banana dependent economies, such as St. Lucia, Grenada, St. Vincent and the Grenadines, and Dominica. All of these countries have diversified into tourism among other industries.

Nationalization/Expropriation: There are no reported problems involving nationalization and/or expropriation in any of these countries.

Reverse Preferences: No reported problems in any of these countries.

The Protection of Intellectual Property Rights and Government broadcast of copyrighted material: Except for a problem with video piracy, there have been no complaints leveled against any of the above countries. Video piracy in the rental market is a problem throughout the Eastern Caribbean.

Extradition: All of the above countries have in force extradition treaties permitting the extradition of U.S. citizens.

Worker Rights: Worker rights are not a problem in any of the above countries.

Conclusions and Observations

The CBERA, in conjunction with the Uruguay Round and discussion leading to negotiation of the Free Trade Area of the Americas, has helped many CBERA countries increase and diversify their exports and initiate policies that lead to more open and transparent markets. Many of the countries in the region have become leaders in the FTAA process. Costa Rica chairs the Negotiating Group on Investment, Nicaragua chairs the Negotiating Group on Services, Jamaica heads the Consultative Group on Smaller Economies. Guatemala is the Vice-Chair for the same group. Barbados chairs the Joint Committee on E-Commerce. Honduras is the Vice-Chair of the Negotiating Group on Government Procurement. Trinidad and Tobago is the Vice-Chair of the Negotiating Group on Competition Policy.

While intellectual property rights and worker rights are major concerns, several countries have agreed to, or are negotiating, intellectual property rights agreements. In addition many have enacted new laws protecting IPR in order to meet TRIPS obligations under the Uruguay Round of the WTO which come into force January 1, 2000. Unfortunately, these countries often fail to adequately enforce these laws. The threat of losing CBI and GSP preferences serves as an incentive to encourage countries to work toward enforcing adequate IPR and worker rights safeguards. The temporary suspension of some of Honduras' GSP and CBI benefits in 1998 sent a strong signal to the region that the U.S. expects beneficiaries to not just enact, but to enforce adequate protection for IPR as well.

An important objective of the CBERA was to diversify the Caribbean Basin's export base away from traditional products and commodities. Historically, these products have been subject to volatile world prices and fluctuating levels of demand, and therefore associated with widely diverging levels of export revenues. Export diversification is an important aspect of economic development and thus relevant for the countries in the Caribbean Basin. While several traditional exports (bananas, coffee, sugar, etc.) still remain significant sources of foreign exchange and employment for beneficiary countries, their relative importance has decreased in the years since CBERA was initiated.

As these countries have pursued economic development, their manufacturing capabilities have expanded in both scope and magnitude. Many types of textile manufactures and wearing apparel, electrical equipment, medical supplies, pharmaceuticals, as well as non-traditional agricultural products, have grown in importance as sources of export revenue. More recently, some countries in the region have been successful in attracting investment in the high tech sectors, including microprocessing and custom filtration equipment systems.

Another important trend is the relative decline in the importance of oil and other petroleum products in the beneficiary countries' export composition. The ratio of non-oil exports to oil exports has risen significantly.

There has been concern among beneficiary countries regarding the effect of the NAFTA on trade and investment in the region. The Administration has been working with Congress on measures to expand trade preferences for CBI beneficiaries. The Administration remains committed to enhancing trade benefits for the CBI region, as part of our efforts to help the region recover and rebuild after the devastating hurricanes that hit in 1998 (Hurricane Mitch in Central America and Hurricane Georges in the Caribbean).

Another issue of concern is the apparent increase in the movement of illicit drugs in the Caribbean. As mentioned above, there has been significant growth in exports to the United States since the inception of the CBERA in 1984. The strengthening of the economies of CBERA beneficiary nations through access to U.S. markets for goods granted preferential treatment and the parallel growth of non-traditional exports provides an important alternative to drug trafficking in the region.

More recently, migration pressures from countries in Central America severely affected by Hurricane Mitch have strengthened considerably. Access to the U.S. market is key to encouraging investment needed to rebuild capacity and provide jobs for people in their home countries.

Chapter 4

SUMMARY OF FEDERAL REGISTER SUBMISSIONS

There were three responses to the Federal Register Notice (64 Federal Register 31342, June 10, 1999) which requested public comment on the CBERA. The full texts of the private sector submissions are available in the Office of the United States Trade Representative Reading Room.

The American Apparel Manufacturers Association (AAMA) wrote that the program has "provided an important foundation for economic growth and development in the CBI region" which has "translated into strong economic benefit for the United States." AAMA noted that its members are heavily involved in production sharing activities in CBI countries, which has helped maintain American competitiveness in the sector. However, the organization expressed concern that the benefits of the program have been eroded over the past nine years due to NAFTA, the abolition of the Section 936 tax credit program and changes in the global trading system. The AAMA noted that the Asian economic crisis has resulted in a surge of low cost fabric and garments which challenge the competitiveness of the CBI producers, and their U.S. production sharing partners. A disaster of a different sort, in the form of last year's devastating hurricanes has further added to the need to encourage new investment in the region to promote output and economic recovery. For this reason, "the AAMA considers it a matter of urgent priority to enact legislation that will enhance the US/CBI trading relationship."

The West Indies Rum and Spirits Association (WIRSPA) wrote to express its continued support for CBI rum provisions, which have helped Caribbean rum producers to increase their U.S. market penetration and earn foreign currency, especially in the low value segment of the market. WIRSPA noted that the current CBI excise tax arrangement for rum, under which federal excise taxes collected on rum produced in the U.S. territories or imported, would be returned to the Treasuries of Puerto Rico and the U.S. Virgin Islands has benefitted both CBI and U.S. rum producers. WIRSPA stressed that, although the President may reimpose control on CBI rum, the duty-free status of Caribbean producers has yet to generate any disruptive import surges or negative consequences for the economies of Puerto Rico and the U.S. Virgin Islands.

The International Intellectual Property Alliance (IIPA) prepared a lengthy submission which contains an overview, a country-by-country assessment of compliance of major CBI beneficiaries with IPR commitments and a copy of its petition requesting a review for the Dominican Republic, which was filed on June 16, 1999. Overall, the IIPA believes that "the IPR criteria of the CBI program have provided incentive for substantial improvements in the copyright laws and enforcement practices of many Caribbean and Central American countries." The IIPA cited recent copyright legislation passed in Costa Rica, El Salvador, Guatemala, Honduras, Jamaica, Panama, St. Lucia and Trinidad and Tobago as one positive impact. The IIPA pointed to specific obligations to improve intellectual property rights protection and enforcement included in bilateral trade agreements with Jamaica and Trinidad and Tobago as another positive developments.

However, the IIPA stressed that serious problems remain, with U.S.-based motion picture, sound recording, music publishing, business software, entertainment software and book publishing industries losing tens of millions of dollars each year due to copyright piracy in CBERA countries. Enforcement of existing legislation remains a particular problem. The IIPA expressed the view that CBERA and other U.S. trade law provides "both carrots and sticks to use in encouraging our trading partners to bring their IPR laws and enforcement policies up to high standards" and should be used appropriately to open markets to U.S. exports of copyrighted materials.